

FINAL REPORT
SURVEY OF U.S. INVESTMENT IN THAILAND
prepared for
FOREIGN COMMERCIAL SERVICE
by
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JOINT-VENTURE

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THE PROJECT

1.01 The Foreign Commercial Service (FCS) commissioned a survey on US investment in Thailand to be undertaken by the joint venture research team of Industrial Market Research Services (IMRS) and Jorge Orgibet Associates in the last quarter of 1985. Survey findings will be used for the following purposes:

(1) developing US government policies relating to US private investment in Thailand

(2) developing US government positions on specific investment questions

(3) negotiating improved conditions for US business in Thailand

(4) informing potential US investors -- particularly small and medium-sized investors -- about investment conditions in Thailand.

RESEARCH OBJECTIVES

2.01 The main objectives of the research program was to update the 1983 "Survey of US Investment and Investment Patterns in Thailand," prepared by the Economic Section, US Embassy. The main objectives of the 1983 survey were:

(1) to determine the value of US investments in Thailand, and the amount of investment funds brought in from abroad

(2) to project the value of new investments by US firms in Thailand through 1985

(3) to determine the percentage of US ownership in US firms in Thailand

(4) to obtain comments on incentives and disincentives to investment in Thailand

2.02 In the updated survey, the following specific objectives were achieved:

(1) current value of US investments in Thailand, measured in terms of total investment capital, the US share of total investment capital, and taxes paid by US firms and expatriate managers

(2) projected value of new investments by US firms through 1988

(3) characteristics of US firms: equity structure, percent of US ownership, products and services, number of employees, and revenues

(4) investment climate information presented in a form that is coherent to new US investors

(5) identification of investment problems facing US firms in specific economic sectors

RESEARCH METHODOLOGY

3.01 The research program consisted of desk research, a mailing and interviews.

Desk research

3.02 The research team reviewed existing literature relating to Thailand's investment climate, produced by the US government, research firms and organizations, the American Chamber of Commerce in Thailand, print media, etc.

Mailing

3.03 The research team conducted a mailing to all US firms in Thailand which could be identified. (A company is considered to be a US firm if American equity is ten percent or above). From our preliminary investigations, we confirmed that all registered companies and partnerships having US equity were recorded by the Department of Commercial Registration, Ministry of Commerce, and that this information could be easily taken off the Department's computer. Names and addresses were crosschecked against those in the FCS files, in the Amcham files and in various business directories published in Thailand. The sample size was approximately 300 companies.

3.04 The mailing was intended to be used to obtain the following data:

- (1) Major product lines
- (2) Estimated current book and market value of investments
- (3) Amount of investment funds brought in from abroad
- (4) Percentage of US ownership
- (5) Investments made between 1982-85; factors in investment decisions
- (6) Value of additional investments projected by 1990
- (7) Estimate of 1985 revenues and taxes payable
- (8) Number of employees by nationality

(9) Major issues affecting business operations and new investment decisions

3.05 The questionnaire used was brief and close-ended, in order to encourage a high percentage of responses.

3.06 Because of the FCS concern for protection of proprietary information, respondents were not required to provide their names and addresses when they completed the questionnaires. In line with our proposal, FCS assigned code numbers to each respondent and sent out coded questionnaires under the FCS letterhead. The coding also enabled FCS to "chase" questionnaires which were not promptly returned. At the same time, the research team was not able to identify respondents from questionnaires turned over for data processing.

3.07 The questionnaires were tabulated and cross-tabulated on the IMRS computer, using statistical and data base software programs. Data was analyzed according to sector, sub-sector and product/service category. The sectors and sub-sectors were as follows:

- (1) Energy
 - exploration
 - sales and service
- (2) Banking, finance and insurance
 - banking, finance
 - insurance
- (3) Manufacturing
 - agriculture and food
 - chemicals, pharmaceuticals and related consumer goods
 - electrical and electronic
 - metals processing
 - other consumer products
 - other products
- (4) Trading
 - agricultural and food products
 - chemicals, pharmaceuticals and related consumer goods
 - electrical and electronic industrial equipment
 - other consumer products
 - general
- (5) Services
 - consulting engineering and technical services
 - legal
 - research and advertising

- transportation and shipping
- others

Interviews

3.08 The research team carried out 32 interviews with the chief executives of US companies in Thailand in order to obtain information on Thailand's investment climate. To ensure full co-operation, these interviews were with members of the American Chamber of Commerce. (Both Mr Hooker and Mr Orgibet, who conducted these interviews, are members of the Chamber).

3.09 These interviews covered the principal factors which determine the investment climate, as follows:

- (1) political environment
 - internal
 - external
- (2) economic trends
- (3) labor conditions
- (4) government regulations/practices, with particular attention to the following endemic problems:
 - retroactive tax assessments
 - retroactive customs assessments
 - overevaluation of duties on imports
 - penalties on advance tax payments
 - restrictions on new bank branches
 - treatment of remittances overseas
 - restrictions on market access
 - violations of intellectual property rights
 - competition from government enterprises
 - unequal treatment of investors
 - bureaucratic red tape
- (4) relations with government agencies
 - Board of Investment
 - Ministry of Finance
 - Ministry of Industry
 - Ministry of Commerce
 - Ministry of Agriculture
 - Customs Department
 - Labor Department
 - Revenue Department
 - Immigration Division
 - other agencies/bodies

3.10 The research team also addressed the following issues of importance to new investors:

(1) Factors cited by existing US firms in the decision to establish operations in Thailand

(2) Description of experience in Thailand: favorable or unfavorable

(3) Major problems faced during start-up and solutions

3.11 The interview sample, classified by sector and sub-sector, was as follows:

(1) Energy	
- exploration.	1
- sales and service	2
(2) Banking, finance and insurance	
- commercial banks	1
- representative offices	1
- finance companies	1
- insurance companies	2
(3) Manufacturing	
- agriculture and food	2
- electrical and electronic	2
- chemical and pharmaceutical	2
- metals processing	1
- other consumer products	2
- other	1
(4) Trading	
- agro-industrial products	2
- consumer products	2
- industrial products	2
(5) Services	
- consulting engineering	2
- legal	1
- advertising	1
- hotel	1
- research	1
- other	2
TOTAL	32

Notes on findings

3.12 The calculation of total investment is based on a calculation of total debt + total equity as declared by respondents. Some major US investors in Thailand were operating as branch offices and, consequently, could not make separate debt and equity declarations. However, in most such cases, investments made by these firms in the

1982-85 period were reported and were included in the estimate of total investment by US companies in Thailand.

3.13 Out of a total mailing sample of over 300 companies, 105 respondents were determined to be eligible for inclusion in the survey results. The main qualification for inclusion was US ownership of at least ten percent. Twelve respondents who did not meet this qualification were disqualified. Five respondents were disqualified because they supplied minimally completed questionnaires which could give a distorted picture to their particular sector. Follow up work on these companies may have been feasible with the co-operation of FCS, but the research team considered such an approach inappropriate since the sample companies had been assured confidentiality. Another five respondents were disqualified when the research team considered them not to have any direct business interest in Thailand, such as in the case of non-profit foundations and non-trading representative offices. Two companies which said they were currently inactive, one repeat questionnaire and one which requested exclusion for an unspecified reason were also omitted from the tabulations. Disqualifications and exclusions totaled 26.

3.14 Due to the lack of availability of details from the 1983 survey, the research team was unable to analyze the investment projections of that year.

3.15 Companies' estimates of their book and market values were deleted from the tabulations because it was found that the criteria used by different companies were inconsistent. For the same reason, answers to the question regarding percentage return on total capital employed after taxes in 1985 were not tabulated. The sections on the number of non-Thai contract staff were deleted because the total was too small for any pattern to be discerned. Similarly, estimates of municipal taxes paid in 1985 were generally insignificant and, where a response was received, the amount was included in total business taxes. Many respondents had already grouped their municipal taxes with their business taxes. Some respondents were evidently uncertain of the distinction between paid in capital and total capital employed. As a result, the research team decided to omit the latter category and, where appropriate, tabulate total capital employed as paid-up capital.

3.16 In the manufacturing sector, two companies which classified themselves as both manufacturers and traders were assumed to belong to this sector. Five companies which classified themselves as manufacturers or manufacturers and traders but clearly used contract manufacturers or manufactured outside Thailand were reclassified under trading. Two companies which classified themselves under

trading were reclassified as manufacturers because other details in the questionnaires supported such an assumption.

3.17 In the trading sector, four companies which classified themselves as trading and service companies, but appeared to be more active as traders offering after-sales services and the like, were classified as trading companies. Tabulations for the trading sector also included the five companies reclassified from manufacturing, as explained in the paragraph above.

3.18 In the services sector, two companies which claimed to be in both the trading and service sectors were classified as service companies on the basis of supporting evidence in the questionnaires.

3.19 The investment climate data was coded, tabulated and cross-tabulated on the IMRS computer by sector and sub-sector. Findings were compared with investment climate surveys and reports carried out by the US government and the American Chamber of Commerce since 1982, in order to measure trends during this period.

3.20 Information on investment patterns and the investment climate have been combined in each section of the final report, so that any section can be reproduced as a separate document. We also believe this approach makes the final report more informative and interesting to read.

OVERVIEW

4.01 The research team has estimated the total value of current US investments in Thailand to be approximately 115 billion baht. The 105 eligible respondents to the questionnaire survey reported total investments of 50.6 billion baht or 44 percent of the total US investment in the country.

4.02 The average US ownership of questionnaire respondents was 80 percent. Respondents' reported bringing funds of 26.7 billion baht into Thailand. This comprised 20.8 billion baht in foreign equity and 5.9 billion baht in foreign debt. Respondents' local equity totaled 1.6 billion baht and local debt 17.6 billion baht. In the 1982-1985 period respondents invested 23.9 billion baht in Thailand and expected to invest another 12.2 billion baht between 1986 and 1990. Respondents employed a total of 29,753 staff. A total of 88 senior expatriate staff were replaced by Thais in these companies between 1982 and 1985. Respondents expected to generate 71.8 billion baht in revenues in 1985. Total company taxes for the year were estimated at nearly 11.6 billion baht.

4.03 Major reasons for investing in Thailand were cited as being expansion of business activities, investment incentives and the economic and political stability of the country. Major disincentives were said to be excessive import duties, high company and personal income taxes, arbitrary or cumbersome customs and taxation procedures, the lack of patent protection and restrictions on growth.

4.04 The following is a summary of the survey results for each major sector:

Energy

4.05 Seven companies in the energy sector responded to the questionnaire. Combined total investments by respondents reported were 24.6 billion baht. This accounted for 49 percent of total investment reported by survey respondents. Average US ownership of responding energy firms was 93 percent. The energy sector respondents reported by far the highest foreign equity of any sector. The combined total of 15.8 billion baht accounted for 76 percent of foreign equity reported by all sample respondents. Only two respondents reported having any local equity and this totaled 160 million baht. Combined local debts were 1.9 billion baht and foreign debts 2.1 billion baht. One exploration firm did not give debt and equity details.

4.06 This sector reported both the highest revenues and the highest taxes of any sector in the survey. Total revenues reported by the energy sector for 1985 were 50 billion baht, or 70 percent of all reported revenues. Total taxes were estimated at over 8.7 billion baht with 91 percent of this being excise and other withholding taxes.

4.07 Energy sector companies reported employing a total of 2,614 staff. A total of 31 expatriate managers were replaced with Thais in the 1982-85 period. Taxes expected to be paid by expatriate employees in 1985 were 578 million baht or 90 percent of the total from all sector respondents.

4.08 Exploration respondents invested 92 percent of the sector's 21 billion baht investment between 1982 and 1985. Nine billion baht was projected as investment in the 1986-90 period. The energy sector remains the major area of US investment in Thailand, but the questionnaire responses indicate that a downturn has occurred. The downturn is mainly in the exploration sub-sector and this in turn appears to have pulled down the energy sales and service sub-sector. However, while the decline in US exploration activity should gradually level off, US energy sales and service companies are expecting a speedy return to high investment growth rates as their business from the new, largely non-US, concessionnaires picks up.

4.09 Major problems cited by energy companies were in connection with pricing. Other problems included restrictions on market access and the pyramid method of assessing income tax payable by expatriate employees. In addition, several energy sector companies complained that the laws governing the industry in Thailand were out of date and that the government had yet to make a serious effort to bring them in line with the current situation.

4.10 Other than the above, relations with government departments, such as the Department of Mineral Resources, the Foreign Trade Department and the Immigration Division, were reported as being good.

Banking, finance and insurance

4.11 Seven banks, finance companies and insurance companies responded to the questionnaire. They reported total investment based on debt + equity of 12.9 billion baht, making this sector the second highest investor in Thailand. Four of the respondents were wholly US owned. Average US ownership for the sector was 72 percent.

4.12 One third of the total investment was the reported investment of the two insurance company respondents. The remainder was declared by three of the five banking and

finance companies. Total foreign equity was just over one billion baht and local equity was reported as totaling 181 million baht. Although only four of the companies reported having any local debt, the total of nearly 11 billion baht was higher than for all the other sectors combined. Only one respondent registered any foreign debt.

4.13 Three banking and finance companies in this sector reported direct investments between 1982 and 1985, but the four year total of 95 million baht was the lowest of any sector, except services. Zero investment was reported for 1985 and a total of 100 million baht was projected for investment between 1986 and 1988. Investing firms cited business growth as the sole reason for making the investments.

4.14 Five of the banking, finance and insurance companies estimated their 1985 revenues and company taxes. Combined revenues of these companies totaled 3.35 billion baht and combined taxes 301 million baht. Eighty one percent of sector revenues was anticipated by the two insurance company respondents. Out of the combined tax bill, 65 percent was accounted for by corporate income taxes and 28 percent by municipal and business taxes.

4.15 Banking, finance and insurance company respondents employed 976 staff. Two expatriate senior managers and one middle manager in this sector were replaced by Thai nationals between 1982 and 1985. All of these replacements occurred in banking and finance companies.

4.16 The key factor which appears to hamper further direct investment in Thailand by banks and finance and insurance companies was stated as being restrictions imposed on the expansion of foreign banking, finance and insurance firms. However, most respondents indicated that they were satisfied with their dealings with the Ministry of Finance and the Bank of Thailand.

4.17 In follow-up interviews, all respondents reported a short term uncertainty in business operations but remained optimistic concerning the longer term future of doing business in Thailand. The uncertain price of oil, low commodity prices and the country's debt service ratio were mentioned as economic factors leading to uncertainty in the short term. Economic factors mentioned as reasons for optimism in the longer term were low operating and living costs, availability of skilled, trainable and low cost labor and the stabilizing affect of the monarchy and the country's infrastructure. The high potential of Thailand was referred to by several respondents.

Manufacturing

4.18 Twenty eight manufacturing companies responded to the questionnaire. Total investment by these companies was reported at 9.3 billion baht. This comprised 30 percent foreign equity, 20 percent foreign debt, 38 percent local debt and 12 percent local equity. Average US ownership of these firms was 74 percent.

4.19 The electrical and electronic industry respondents accounted for 3.65 billion baht or 39 percent of the total investment. Respondents manufacturing consumer products not covered by other sub-sectors accounted for a further 3.4 billion baht or 36 percent of the total. Agricultural and food products manufacturers at 647 million baht and the chemical and pharmaceutical products sub-sector at 623 million baht contributed seven percent each. Firms involved in metals processing industries accounted for five percent of the total or 420 million baht.

4.20 Total revenues for 1985 were reported at over 9.1 billion baht. Total taxes for the year were estimated at over 1.2 billion baht. Of those taxes broken down by category, 41 percent was business and municipal taxes, 38 percent was import and export duties, and 19 percent was corporate income tax.

4.21 Manufacturing companies reported employing a total of 20,903 staff or over 70 percent of total employment by all sectors. In the 1982-85 period responding companies reported replacing 35 expatriate senior personnel with Thai nationals. One of these was a chief executive and 19 were senior managers. Expatriate income tax bills for 1985 were estimated to total 54 million baht.

4.22 Combined investments reported between 1982 and 1985 amounted to 2.3 billion baht. Annual investment totals experienced high growth rates of 75 percent in 1983 and 80 percent in 1984 but 1985 saw a negative growth rate of 17 percent. The prospect for the 1986-88 period as reported by the respondents indicated a somewhat brighter picture.

4.23 Manufacturers surveyed tended to express a lot of faith in the long term investment climate in the country despite the current downturn. Five questionnaire respondents claimed that the investment climate had a beneficial influence on their business. Moreover, ten manufacturers said that the Board of Investment had most effectively responded to their business needs. Another positive development cited by four companies in this sector was the streamlining of government agency procedures.

Interviewees repeatedly mentioned the quality of the local workforce as a major incentive to invest in Thailand. Other positive factors mentioned included the stabilizing effect of the monarchy, the generally positive attitude of the Thai government and the flair of the Thai private sector.

4.24 On the negative side, nine questionnaire respondents considered high import duties or taxes to be detrimental to their business and seven complained of inconsistent, slow or unfair government agency procedures. The Customs Department was named as least effective in responding to company requirements by ten respondents, the Revenue Department by five. The main complaint against the Customs Department was overvaluation of import duties. Complaints against the Revenue Department centered on auditing procedures, overassessments and retroactive taxes. Six companies claimed a negative impact from the rate or method of implementation of business or corporate taxation while three leveled similar criticism at personal income taxes. Two interviewees commented that high taxation was the primary limiting factor or disincentive to investing in Thailand. Other negative factors cited by respondents were unfair competition from government enterprises, lack of patent protection and increased government interference.

Trading

4.25 The trading sector attracted the highest number of responses: 37 companies. Total investment by the respondent trading companies amounted to over 3.4 billion baht. However, 12 respondents did not complete the questionnaire sections on debt and equity. Of those that did respond, foreign equity accounted for 36 percent of investment, local equity four percent, foreign debt 31 percent and local debt 30 percent. Average US ownership of companies in the trading sector was 93 percent.

4.26 Of these, by far the biggest group was engaged in the chemicals, pharmaceuticals and related consumer goods sub-sector. This sub-sector accounted for 54 percent of respondents, or 20 companies, and 59 percent or over two billion baht of total investment. Other major investors were agricultural and food products trading companies, accounting for 21 percent of total investment, and electrical and electronic industrial equipment traders, with 14 percent of the sector's total investment.

4.27 Thirty trading companies reported expected total revenue in 1985. The total amount was 8.2 billion baht. Of the 1.4 billion baht in company taxes reported, 78 percent was in the form of import and export duties. Duty payments

by responding trading companies accounted for 51 percent of import and export duty payments by all sectors.

4.28 The trading company sample was the second largest employer after the manufacturing sector with 3,167 staff. Thirteen Thai nationals replaced expatriate staff in the 1982-85 period. Respondents reported expatriate income taxes totaling 56 million baht in 1985.

4.29 Direct investment by the trading companies over the 1982-85 period was reported at 427 million baht. The major investors were chemical and pharmaceutical trading companies with 223 million baht and traders in agricultural and food products with 166 million baht. Neither the consumer products nor the industrial equipment trading companies reported any investment between 1982 and 1985. The 181 million baht reported as 1985 investment accounted for 42 percent of the total for the four years. In the five year period 1986-1990 responding trading companies expect to invest a total of 367 million baht. The key factor in the decision to invest was said to be expansion of the market or business. Other important factors were the investment climate and incentives, to protect market share against competition, replace/upgrade existing facilities, start operations/add new facilities and, especially for projected investments, cost rationalisation/improve efficiency.

4.30 Few trading companies made positive comments on government practices and regulations, although four did consider the Board of Investment to be doing a good job. The Ministry of Commerce was said to have responded most effectively to company needs by three respondents, but another three said it had responded least effectively. Assistance with exports was cited by two companies as a positive government practice.

4.31 Given the high proportion of pharmaceutical and consumer-oriented companies in the sample, certain problems were strongly emphasized. Eight respondents complained of growth restrictions or government interference and four of lack of patent protection. Both the Food and Drug Administration and the Ministry of Public Health were criticized by three respondents each. Altogether 11 trading companies complained of the adverse affect of high import duties or excise taxes and six of financial or monetary constraints or price controls. Personal income tax was a source of complaint for four companies and business or corporate tax for four.

4.32 Despite such problems, there was little indication that trading companies were eager to leave Thailand. The overall impression garnered from the questionnaires and interviews was that the success of US trading, and also manufacturing, companies in Thailand, depends to some

extent on their ability to adapt to the local business environment.

Services

4.33 A total of 26 companies in the service sector returned completed questionnaires. Investment totaled 292 million baht on the debt and equity computation. However, over half the respondents failed to complete the debt and equity sections. American ownership of the responding companies averaged 66 percent.

4.34 From the responses, transportation and shipping was the major area of investment accounting for 39 percent of the total investment. Consulting engineering and technical services accounted for another 22 percent, legal services 18 percent, advertising six percent and research 0.5 percent. The largest sub-group -- seven companies -- fell into the consulting engineering and technical services sub-sector.

4.35 Total revenues generated by responding service companies came to 1.2 billion baht and total taxes were 49 million baht. The major tax category was corporate income taxes which accounted for 70 percent of the total broken down by respondents, followed by business and municipal taxes which made up 24 percent, import and export duties with five percent, and other taxes the remaining one percent.

4.36 Service companies reported employing a total of 2,093 staff. Six expatriate employees were replaced by Thais in the 1982-85 period: one chief executive and five senior managers. Total personal income taxes expected to be paid by expatriate staff in 1985 was 12 million baht.

4.37 This sector's total investment in the 1982-1985 period was reported at 68 million baht, making it the smallest sectoral investor in Thailand. From the questionnaire findings and from subsequent interviews, it appeared that US service companies were in the process of building up a large presence in Thailand. Advertising agencies, legal offices and transportation companies were all planning to gradually expand their presence in the country, but the major contribution may come from consulting engineers and technical service companies which were vying for prestigious and high value government contracts.

4.38 While three companies in the questionnaire sample responded negatively about the Ministry of Commerce, five felt positive regarding this ministry with the Bank of Thailand attracting four positive comments and the Board of Investment three. Again, comments on the positive results of specific government practices or regulations were scarce,

although two respondents cited investment incentives or privileges, and two foreign exchange controls or baht devaluation in this light. However, three more said that the baht devaluation had a negative affect on business. On the whole, service company questionnaire and interview respondents considered the Bank of Thailand's treatment of remittances overseas to be reasonable.

4.39 Service companies were the most vociferous in their criticism of the Revenue Department with five respondents listing it as least effective in responding to company requirements. The same number also complained about the rate or implementation of personal income tax while six companies had a similar complaint about business or corporate taxes. Four companies raised objections to high import taxes or excise duties. A particular bone of contention for service companies was the two percent withholding tax to which they have been subject since February 1985.

4.40 Factors cited in the follow up interviews as helping smooth a company's entry into Thailand included knowledge of the government procedures required and gearing the project to government priority areas, such as export or agricultural development.

OVERVIEW

Table 4.1: TOTAL INVESTMENT (in million baht)

	Energy	Banking, finance, insurance	Manufacturing	Trading	Service	Total	%
Local Equity	160	181	1,083	133	64	1,621	12%
Foreign Equity	15,765	1,004	2,754	1,239	18	20,780	30%
Local Debt	1,893	10,944	3,559	1,020	196	17,612	38%
Foreign Debt	2,144	800	1,906	1,051	14	5,915	20%
Total Equity	15,925	1,185	3,837	1,372	82	22,401	41%
Total Debt	4,037	11,744	5,465	2,071	210	23,527	59%
Report in total only	4,669						
Total Investment	24,631	12,929	9,302	3,443	292	50,597	100%

OVERVIEW

Table 4.2: COMPANY ENTITY

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
Public Co	1		7	6		14	13%
Private Co	3	4	20	19	17	63	60%
LP					1	1	1%
ROP					1	1	1%
Sole Propshp			1		1	2	2%
Branch	3	3		12	6	24	23%
Total	7	7	28	37	26	105	100%

OVERVIEW

Table 4.3: US OWNERSHIP

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
10-35%		2	2	1	6	11	10%
36-49%	1		5	2	6	14	13%
50%		1	2			3	3%
51-65%			4	1	3	8	8%
66-90%			2	1		3	3%
91-100%	6	4	13	32	11	66	63%
Total	7	7	28	37	26	105	100%
Average %	93%	72%	74%	93%	65%	80%	

OVERVIEW

Table 4.4: TOTAL STAFF

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
1-5				4	1	5	5%
6-10	2	1		2	4	9	9%
11-25	1		2	7	7	17	16%
26-50	1	1	3	7	2	14	13%
51-100		1	1	9	8	19	18%
101-250		2	7	4	2	15	14%
251-500	1	2	6	4	1	14	13%
501-1,000	1		3		1	5	5%
> 1,000	1		6			7	7%
Total	7	7	28	37	26	105	100%
Actual	2,614	976	20,903	3,167	2,093	29,753	

OVERVIEW

Table 4.5: US PERMANENT STAFF

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
0		5	14	22	7	48	46%
1-5	5	2	14	13	19	53	50%
6-10	1			2		3	3%
11-50							
51-100	1					1	1%
Total	7	7	28	37	26	105	100%
Actual	88	3	25	38	29	183	

OVERVIEW

Table 4.6: THAI PERMANENT STAFF

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
0-5	1			5	4	10	10%
6-10	2	1		1	3	7	7%
11-25	1		2	8	5	16	15%
26-51		2	3	8	2	15	14%
51-100			1	8	9	18	17%
101-250		2	7	3	1	13	12%
251-500	1	2	7	4	1	15	14%
501-1,000	2		2		1	5	5%
> 1,000			6			6	6%
Total	7	7	28	37	26	105	100%
Actual	1,935	935	20,600	3,058	1,987	28,515	

OVERVIEW

Table 4.7: THAI NATIONALS REPLACING EXPATS

	Energy	Banking, finance, insurance	Manufacturing	Trading	Service	Total	%
Chief Exec			1	1	1	3	3%
Senior Mgnt	3	2	19	5	5	34	39%
Middle Mgnt	27	1	14	6		48	55%
Other	1		1	1		3	3%
Actual	31	3	35	13	6	88	100%

OVERVIEW

Table 4.8: REGISTERED CAPITAL

	Energy	Banking, finance, insurance	Manufacturing	Trading	Service	Total	%
< 50k baht					1	1	1%
50k-499,999			1	2	3	6	6%
500k-999,999				1	1	2	2%
1kk-1,999,999	1		1	6	8	16	15%
2kk-4,999,999	1	1	3	3	5	13	12%
5kk-9,999,999	1		3	4	2	10	10%
10kk-19,999,999	1		6	3	4	14	13%
20kk-49,999,999		1	9	4	2	16	15%
50kk-99,999,999		1	1	3		5	5%
100kk-200kk	1	1	3			5	5%
> 200kk		1		1		2	2%
No Response	2	2	1	10		15	14%
Total	7	7	28	37	26	105	100%
Actual (m.bt.)	121	606	877	693	122	2419	

OVERVIEW

Table 4.9: PAID IN CAPITAL

	Energy	Banking, finance, insurance	Manufacturing	Trading	Service	Total	%
< 50k baht			1		2	3	3%
50k-499,999	1			2	2	5	5%
500k-999,999	1			3	2	6	6%
1kk-1,999,999			3	5	8	16	15%
2kk-4,999,999	1	1	4	3	5	14	13%
5kk-9,999,999			1	3	2	6	6%
10kk-19,999,999			6	3	2	11	10%
20kk-49,999,999		1	9	3	1	14	13%
50kk-99,999,999		2	3	3		8	8%
100kk-200kk			1			1	1%
> 200kk	1	1		1		3	3%
No Response	3	2		11	2	18	17%
Total	7	7	28	37	26	105	100%
Actual (m.bt.)	16,940	536	737	665	80	18,958	

OVERVIEW

Table 4.10: LOCAL EQUITY

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
< 50k baht			1		1	2	2%
50k-499,999			1		2	3	3%
500k-999,999				1	2	3	3%
1kk-1,999,999	1			3	2	6	6%
2kk-4,999,999		1	1	3	1	6	6%
5kk-9,999,999			1		2	3	3%
10kk-19,999,999			1	1	2	4	4%
20kk-49,999,999			5	1	1	7	7%
50kk-99,999,999			2	1		3	3%
100kk-200kk	1	1	1			3	3%
> 200kk			3			3	3%
No Response	5	5	12	27	13	62	59%
Total	7	7	28	37	26	105	100%
Actual (m.bt.)	160	181	1,083	133	64	1,621	

OVERVIEW

Table 4.11: FOREIGN EQUITY

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
< 50k baht					1	1	1%
50k-499,999				2	2	4	4%
500k-999,999		1			1	2	2%
1kk-1,999,999	1		2		3	6	6%
2kk-4,999,999	1		3	2	2	8	8%
5kk-9,999,999		1	1	4	1	7	7%
10kk-19,999,999			1	2		3	3%
20kk-49,999,999			5	2		7	7%
50kk-99,999,999			6	2		8	8%
100kk-199,999,999	1		5	1		7	7%
200kk-500kk	1	3		3		7	7%
> 500kk	1		2			3	3%
No Response	2	2	3	19	16	42	40%
Total	7	7	28	37	26	105	100%
Actual (m.bt.)	15,765	1,004	2,754	1,239	18	20,780	

OVERVIEW

Table 4.12: LOCAL DEBT

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
< 50k baht					1	1	1%
50k-499,999					1	1	1%
500k-999,999			1		1	2	2%
1kk-1,999,999	1		1	1		3	3%
2kk-4,999,999	1		2	3	2	8	8%
5kk-9,999,999				5	1	6	6%
10kk-19,999,999			3	2	2	7	7%
20kk-49,999,999			8	6	2	16	15%
50kk-99,999,999			3		1	4	4%
100kk-199,999,999	1		7	4		12	11%
200KK-500KK	1		2	1		4	4%
> 500kk		4	1			5	5%
No Response	3	3		15	15	36	34%
Total	7	7	28	37	26	105	100%
Actual (m.bt.)	1,893	10,944	3,559	1,020	196	17,612	

OVERVIEW

Table 4.13: FOREIGN DEBT

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
< 50k baht							
50k-499,999				1		1	1%
500k-999,999			1			1	1%
1kk-1,999,999					1	1	1%
2kk-4,999,999			1	1	1	3	3%
5kk-9,999,999			2	1		3	3%
10kk-19,999,999			1	2	1	4	4%
20kk-49,999,999			2	4		6	6%
50kk-99,999,999			1	3		4	4%
100kk-199,999,999			3	2		5	5%
200KK-500KK	1		1	1		3	3%
> 500kk	1	1	1			3	3%
No Response	5	6	15	22	23	71	68%
Total	7	7	28	37	26	105	100%
Actual (m.bt.)	2,144	800	1,906	1,051	14	5,915	

OVERVIEW

Table 4.14: INVESTMENTS 1982-1990

INVESTMENTS 1982-1985 (in million baht)

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
1982	4,551	20	270	108	6	4,955	21%
1983	5,407	20	475	146	4	6,052	25%
1984	7,037	55	855	52	9	8,008	33%
1985	4,050		711	181	49	4,991	21%
Total	21,045	95	2,311	487	68	24,006	100%

PROJECTED INVESTMENTS 1986-1990 (in million baht)

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total
1986-1988	7,150	100	1,942	315	238	9,745
1986-1990	8,966	100	2,532	367	297	12,262
TOTAL INVESTMENTS 1982-1990	30,011	195	4,843	854	365	36,268

Table 4.15: REASONS FOR INVESTMENT 1982-85 AND 1986-90

	Energy		Banking, Finance, Insurance		Manufacturing		Trading		Services		1982-5	Total		
	1982-5	1986-90	1982-5	1986-90	1982-5	1986-90	1982-5	1986-90	1982-5	1986-90		%	1986-90	%
Investment climate & incentives	1	1			8	3	2	2	2		13	15%	6	9%
Market or business expansion	4	3	2	2	9	13	7	4	11	8	33	39%	30	43%
Protect market share against competition					2	2	2	3			4	5%	5	7%
Shore up capital base							1	2	2		3	4%	2	3%
Cost rationalisation improve efficiency	1	1			3	5			2	2	6	7%	8	11%
Replace, upgrade existing facilities	1	1			9	11	2	2	3		15	18%	14	20%
Start operation, add new facilities					1	1	2		4	2	7	8%	3	4%
Others					2	2	1		1		4	5%	2	3%
Total	7	6	2	2	34	37	17	13	25	12	85	100%	70	100%

OVERVIEW

Table 4.16: 1985 REVENUE

	Energy	Banking, finance, insurance	Manufacturing	Trading	Service	Total	%
500k-1,999,999 baht					1	1	1%
2kk-9,999,999	1	1	3	1	7	13	12%
10kk-19,999,999	1		1	2	2	6	6%
20kk-49,999,999	1		1	3	8	13	12%
50kk-99,999,999			2	8	1	11	10%
100kk-199,999,999		2	5	6		13	12%
200kk-499,999,999		1	9	6	1	17	16%
500kk-999,999,999			6	2	1	9	9%
1kkk-10kkk	1	1	1	2		5	5%
> 10kkk	2					2	2%
No Response	1	2		7	5	15	14%
Total	7	7	28	37	26	105	100%
Actual (m.bt.)	49,862	3,353	9,137	8,212	1217	71,781	

OVERVIEW

Table 4.17: 1985 TAXES (in million baht)

	Energy	Banking, finance, insurance	Manufacturing	Trading	Services	Total	%
Mun. & Bus. taxes	6	84	458	102	9	659	6%
Corp. taxes	162	197	216	174	26	775	7%
Duties	608		423	1,084	2	2,117	18%
Others	7,886	20	21	6		7,933	68%
Reported in total			121	23	11	155	1%
Total	8,662	301	1,239	1,389	48	11,639	100%

Table 4.18: REACTIONS TO GOVERNMENT PRACTICES & REGULATIONS

	Energy	Banking,finance Insurance	Manufacturing	Trading	Services	Total	%
<u>Positive</u>							
Investment Incentives, privileges			5		2	7	24%
Streamlining of government procedures			4		1	5	17%
Adjustment of import duties			2		1	3	10%
Assistance w/export			1	2		3	10%
Foreign exchange control, baht devaluation	1			1	2	4	14%
Specific legislations, regulations	1	1		2		4	14%
Others	1				2	3	10%
Total	3	1	12	5	8	29	100%
<u>Negative</u>							
Personal income tax	2	1	3	4	5	15	11%
Business,corporate tax	2		6	3	6	17	12%
High import duties, excise tax			9	11	4	24	17%
Government agency procedures	1	1	7	4	2	15	11%
Government monopolies				1	1	2	1%
Discrimination against foreign companies	1	1		1		3	2%
Financial,monetary constraints,etc.	2	1	2	6	1	12	8%
Restrictions on growth, etc.		2	4	8	2	16	11%
Specific legislations, regulations	1		2	3	2	8	6%
Baht devaluation			3	7	3	13	9%
Lack of patent protection				4	1	5	4%
Others	2		3	3	4	12	8%
Total	11	6	39	55	31	142	100%

Table 4.19: RESPONDENTS' ASSESSMENTS OF GOVERNMENT AGENCIES IN TERMS OF
EFFECTIVENESS IN RESPONDING TO COMPANY REQUIREMENTS.

	Energy	Banking & Insurance	Manufacturing	Trading	Services	Total	%
Most							
BOI			10	4	3	17	27%
Immigration	1		2	1	1	5	8%
Labour			1	1	1	3	5%
Min. of Commerce	1			3	5	9	15%
Bank of Thailand		3	1	2	4	10	16%
Min. of Finance		2	1	1		4	6%
Others	2		3	3	6	14	23%
Total	4	5	18	15	20	62	100%
Least							
Duties			10	6	3	19	28%
Revenue	1	1	5	4	5	16	24%
Labour			2		1	3	4%
TOT		1	3		1	5	7%
FDA			3	3	2	8	12%
Min. of Public Health				3	1	4	6%
BOI			2			2	3%
Min. of Commerce				3	1	4	6%
Others			3		3	6	9%
Total	1	2	28	19	17	67	100%

ENERGY

5.01 Combined total investments by the seven respondents was 24.6 billion baht and accounted for 49 percent of total US investment by questionnaire respondents.

5.02 The energy sector remains the major area of US investment in Thailand. Energy sector respondents reported by far the highest foreign equity of any sector. The combined total of 15.8 billion baht accounted for 76 percent of foreign equity reported by all sample respondents. Only two respondents reported having any local equity and this totaled 160 million baht. Respondents in the energy sector reported the highest proportion of US ownership, with only one of the seven companies being less than 50 percent US owned. US ownership averaged 93 percent.

5.03 This sector reported both the highest revenues and the highest taxes of any sector in the sample. Total revenue reported by the sector was 50 billion baht, or 69 percent of all reported revenues. Total taxes estimated for 1985 were 8.7 billion baht with most of this being withholding and excise taxes. Taxes paid by expatriate employees were 578 million baht, 90 percent of all respondents.

5.04 Energy sector companies reported employing a total of 2,614 staff comprised of 1,935 Thai permanent staff, 443 Thai contract staff, 88 US permanent staff and 54 staff from other countries. A total of 31 expatriate managers were replaced with Thais in the period 1982-85. Twenty seven of these positions were in middle management and three were senior managers.

5.05 The major complaints of energy sector respondents were aimed at the Thai government's pricing policies and the restrictions on market access. Particularly in the exploration sub-sector, the Revenue Department's pyramid method of calculating expatriate employee income taxes was a government practice that materially affected business in a negative way.

5.06 Other than the above, relations with government departments, such as the Department of Mineral Resources, the Foreign Trade Department and the Immigration Division, were reported as being good. However, government action was said to be slow and many of the laws obsolete. Despite government efforts to cut red tape, as one respondent reported, "they are cutting it lengthwise". In this

respect, delays were said to be caused by an endless succession of committees appointed to study problems.

5.07 In response to questions regarding profitability, energy sector respondents reported that in comparison with other countries in terms of return, Thailand was among the highest in Asia.

Exploration -----

5.08 The two responding US energy exploration companies reported investments of 20 billion baht in Thailand. The research team estimated the total value of US investment in this sub-sector to be considerably higher than 30 billion baht.

5.09 Annual investment disclosures indicated a 40 percent drop in US investment in the energy exploration sub-sector in 1985 and the possibility of a further 40 percent fall over the 1986-88 period. The negative growth in 1985 followed growth of 16 percent in 1983 and 22 percent in 1984.

5.10 Critical issues for these companies appeared to be problems relating to the pricing structure imposed on exploration companies by the Thai government, rather than depleted resources. This conclusion is supported by the surge of new investment in exploration by non-US investors. While the activity of long-time concessionaires, principally US companies, is slowing down, British, Dutch, Australian and Canadian exploration companies have won concession areas in Thailand.

5.11 One of the two respondents in the energy exploration sub-sector reported that it still considered Thailand to be a high potential area and intended to make further, albeit reduced, investments of 5.3 billion baht in exploration up to 1988, but the other indicated that any further investments had yet to be decided. The respondent reported that its operations were on hold pending the conclusion of government negotiations and added that any future projects would depend on "a clear understanding of market accessibility for and commercial pricing of" the products concerned.

5.12 The respondent exploration companies both operated as 100 percent US owned branch offices and employed a combined total staff of 754. Twenty four of these were contract employees and 607 were Thai permanent staff. Income taxes payable by or for expatriate employees in 1985 amounted to 456 million baht or a minimum average of 3.6 million baht per expatriate employee. In the period 1982-1985 these

respondents had replaced 28 expatriates with Thai nationals: 27 at middle management level and one senior manager.

5.13 The respondents reported estimated company taxes in 1985 to be substantially lower than income taxes for their expatriate staff. The combined company tax bill estimate was 9.6 million baht.

5.14 Bearing in mind this apparent imbalance between personal and company taxes, it is not surprising that both energy exploration respondents specified the Revenue Department's pyramid method of calculating expatriate employee income taxes as a government practice which materially affected their business in a negative way. Neither cited any example of positive government regulations or practices, but the Immigration Division, Foreign Trade Department and Department of Mineral Resources were mentioned as agencies which had responded most effectively to company requirements.

Sales and services

5.15 The downtrend in investments by US exploration concerns in 1985 is reflected in much sharper tones in the investment pattern of responding energy sales and service companies. These companies reported combined total investment in Thailand of 4.6 billion baht.

5.16 From the four respondents who disclosed their annual investments, it was calculated that the sub-sectors' investment growth rate in 1983 was over 100 percent and in 1984 over 165 percent. In 1985 an overall 54 percent negative growth rate was reported. However, projected investments by sub-sectoral respondents indicate that the energy sales and service companies believe the market to have "bottomed out", an impression confirmed by the interviews. By 1990, the respondents reported that combined investment would have climbed back to within 50 million baht of the 1984 peak.

5.17 Three respondents which had undertaken or plan future investments in Thailand cited the need to keep pace with expansion in the industry as the prime reason. However, a fourth implied that new investment in the near future was unlikely because the oil and gas industry was in a slump.

5.18 Only one company in this sub-sector had any positive comment to make regarding government regulations and practices and that was that controls on foreign exchange transactions and on expatriate work permits were "reasonable". However, another respondent considered that the tax on repatriation of funds was discouraging some

companies from entering into business relationships in Thailand.

5.19 More common complaints were over government pricing policy. Specific areas of complaint were the lack of fixed pricing and the lack of flexibility in the annual benefits clause of the petroleum production laws. One respondent complaining of price and margin controls said that the government had not granted any significant increase since 1980 and that profits were inadequate in view of the assets employed. The Oil Fuel Storage Act was cited as an outdated piece of legislation while the requirement to drill wells from seismic data was seen as unfavourable by one respondent.

5.20 Energy sales and service companies surveyed employed over 1,800 staff and had replaced two expatriate senior managers and one other manager with Thais in the 1982-85 period.

5.21 Four of the five respondents were 100 percent US owned with the fifth being a 51-49 percent Thai-US venture. Three of the companies were private companies, one a branch office and one a public company. Total foreign equity was reported at 569 million baht and total debts were 4 billion baht with 48 percent of this local and the rest from overseas sources.

5.22 Sales and service companies reported total revenues of 42.9 billion baht in 1985, by far the highest of any sub-sector in the survey. Taxes were correspondingly high: 8.65 billion baht. Income taxes paid by expatriate staff amounted to 122 million baht.

Footnote

5.23 This survey was conducted prior to the drastic drop in worldwide oil prices. Undoubtedly, this will materially affect projections of oil and gas exploration companies and those firms serving the exploration sector.

ENERGY SECTOR

Table 5.1: TOTAL INVESTMENT (in million baht)

	Exploration	Sales & Service	Total	%
Local Equity	159	1	160	1%
Foreign Equity	15,196	569	15,765	79%
Local Debt		1,893	1,893	9%
Foreign Debt		2,144	2,144	11%
Total Equity	15,355	570	15,925	80%
Total Debt		4,037	4,037	20%
Report in total only	4,669		4,669	
Total Investment	20,024	4,607	24,631	100%

ENERGY SECTOR

Table 5.2: COMPANY ENTITY

	Exploration	Sales & Service	Total	%
Public Co		1	1	14%
Private Co		3	3	43%
LP				
RDP				
Sole Propshp				
Branch	2	1	3	43%
Total	2	5	7	100%

ENERGY SECTOR

Table 5.3: US OWNERSHIP

	Exploration	Sales & Service	Total	%
10-35%				
36-49%		1	1	14%
50%				
51-65%				
66-90%				
91-100%	2	4	6	86%
Total	2	5	7	100%
Average %	100%	90%	93%	

ENERGY SECTOR

Table 5.4: TOTAL STAFF

	Exploration	Sales & Service	Total	%
1-5				
6-10		2	2	29%
11-25		1	1	14%
26-50	1		1	14%
51-100				
101-250				
251-500		1	1	14%
501-1,000	1		1	14%
> 1,000		1	1	14%
Total	2	5	7	100%
Actual	754	1,860	2,614	

ENERGY SECTOR

Table 5.5: US PERMANENT STAFF

	Exploration	Sales & Service	Total	%
0				
1-5	1	4	5	71%
6-10		1	1	14%
11-50				
51-100	1		1	14%
Total	2	5	7	100%
Actual	72	16	88	

ENERGY SECTOR

Table 5.6: THAI PERMANENT STAFF

	Exploration	Sales & Service	Total	%
0-5		1	1	14%
6-10		2	2	29%
11-25	1		1	14%
26-51				
51-100				
101-250				
251-500		1	1	14%
501-1,000	1	1	2	29%
> 1,000				
Total	2	5	7	100%
Actual	607	1,328	1,935	

ENERGY SECTOR

Table 5.7: THAI NATIONALS REPLACING EXPATS

	Exploration	Sales & Service	Total	%
Chief Exec				
Senior Mgnt	1	2	3	10%
Middle Mgnt	27		27	87%
Other		1	1	3%
Actual	28	3	31	100%

ENERGY SECTOR

Table 5.8: REGISTERED CAPITAL

	Exploration	Sales & Service	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999		1	1	14%
2kk-4,999,999		1	1	14%
5kk-9,999,999		1	1	14%
10kk-19,999,999	1		1	14%
20kk-49,999,999				
50kk-99,999,999				
100kk-200kk		1	1	14%
> 200kk				
No Response	1	1	2	29%
Total	2	5	7	100%
Actual (m.bt.)	13	108	121	

ENERGY SECTOR

Table 5.9: PAID IN CAPITAL

	Exploration	Sales & Service	Total	%
< 50k baht				
50k-499,999		1	1	14%
500k-999,999		1	1	14%
1kk-1,999,999				
2kk-4,999,999		1	1	14%
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-200kk				
> 200kk	1		1	14%
No Response	1	2	3	43%
Total	2	5	7	100%
Actual (m.bt.)	16,937	3	16,940	

ENERGY SECTOR

Table 5.10: LOCAL EQUITY

	Exploration	Sales & Service	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999		1	1	14%
2kk-4,999,999				
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-200kk	1		1	14%
> 200kk				
No Response	1	4	5	71%
Total	2	5	7	100%
Actual (m.bt.)	159	1	160	

ENERGY SECTOR

Table 5.11: FOREIGN EQUITY

	Exploration	Sales & Service	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999		1	1	14%
2kk-4,999,999		1	1	14%
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-199,999,999		1	1	14%
200kk-500kk		1	1	14%
> 500kk	1		1	14%
No Response	1	1	2	29%
Total	2	5	7	100%
Actual (m.bt.)	15,196	569	15,765	

ENERGY SECTOR

Table 5.12: LOCAL DEBT

	Exploration	Sales & Service	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999		1	1	14%
2kk-4,999,999		1	1	14%
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-199,999,999		1	1	14%
200KK-500KK		1	1	14%
> 500kk				
No Response	2	1	3	43%
Total	2	5	7	100%
Actual (m.bt.)	0	1,893	1,893	

ENERGY SECTOR

Table 5.13: FOREIGN DEBT

	Exploration	Sales & Service	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999				
2kk-4,999,999				
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-199,999,999				
200KK-500KK		1	1	14%
> 500kk		1	1	14%
No Response	2	3	5	71%
Total	2	5	7	100%
Actual (m.bt.)	0	2,144	2,144	

ENERGY SECTOR

Table 5.14: INVESTMENTS 1982-1990

INVESTMENTS 1982-1985 (in million baht)

	Exploration	Sales & Service	Total	%
1982	4,408	143	4,551	22%
1983	5,113	294	5,407	26%
1984	6,253	784	7,037	33%
1985	3,689	361	4,050	19%
Total	19,463	1,582	21,045	100%

PROJECTED INVESTMENTS 1986-1990 (in million baht)

	Exploration	Sales & Service	Total
1986-1988	5,300	1,850	7,150
1986-1990	5,300	3,666	8,966
TOTAL INVESTMENTS 1982-1990	24,763	5,248	30,011

ENERGY SECTOR

Table 5.15: 1985 REVENUE

	Exploration	Sales & Service	Total	%
500k-1,999,999 baht				
2kk-9,999,999		1	1	14%
10kk-19,999,999		1	1	14%
20kk-49,999,999		1	1	14%
50kk-99,999,999				
100kk-199,999,999				
200kk-499,999,999				
500kk-999,999,999				
1kkk-10kkk	1		1	14%
> 10kkk		2	2	29%
No Response	1		1	14%
Total	2	5	7	100%
Actual (m.bt.)	7,700	42,162	49,862	

ENERGY SECTOR

Table 5.16: 1985 TAXES (in million baht)

	Exploration	Sales & Service	Total	%
Mun.& Bus.taxes		6	6	0%
Corp.taxes		162	162	2%
Duties	1	607	608	7%
Others	9	7,877	7,886	91%
Reported in total				
Total	10	8,652	8,662	100%

BANKING, FINANCE AND INSURANCE

6.01 Combined investment reported by the seven banking, finance and insurance respondents, based on debt + equity declarations, was 12.9 billion baht. Thus, the sector was the second highest investor in Thailand. The reported investment of two insurance companies accounted for one third of this total. The remainder was declared by three of the five banking and finance companies. Total foreign equity was just over one billion baht and local equity was reported as totaling 181 million baht. Although only four of the companies reported having any local debt, that total of nearly 11 billion baht was higher than for all the other sectors combined. Only one respondent registered any foreign debt.

6.02 Three banking and finance companies in this sector reported investments between 1982 and 1985. That four year total of 95 million baht was the lowest of any sector, except services. Zero investment was reported for 1985. A total of 100 million baht was projected for investment between 1986 and 1988. Investing firms cited business growth as the sole reason for making the investments.

6.03 Out of the seven respondents in this sector, four were private companies and three branch or representative offices. Four of the respondents were wholly US owned, but for the sector average US ownership was 72 percent. Total registered capital was reported as 606 million baht, with 536 million baht of this paid in.

6.04 Five of the banking, finance and insurance companies estimated their 1985 revenues and company taxes. Combined revenues of these companies totaled 3.35 billion baht and combined taxes 301 million baht. Out of this combined tax bill, 45 percent was accounted for by corporate income taxes and 28 percent by municipal and business taxes.

6.05 Banking, finance and insurance companies reported total staff of 976 consisting of three American permanent staff, 935 Thais and five others, with another 31 Thai contract staff. Two more non-Thai and non-US contract employees were also reported. Two expatriate senior managers and one middle manager in this sector were replaced by Thai nationals between 1982 and 1985.

6.06 In follow-up interviews, all respondents reported a short term uncertainty in business operations, but remained optimistic concerning the longer term future of doing business in Thailand. The uncertain price of oil, low commodity prices and the country's debt service ratio were

mentioned as economic factors leading to uncertainty in the short term. Economic factors mentioned as reasons for optimism in the longer term were low operating and living costs; availability of skilled, trainable and low cost labor; and the stabilizing affect of the monarchy and the country's infrastructure. The high potential of Thailand was referred to by several respondents. Growth rates of between four and six percent were predicted by banking interviewees. One insurance company interviewed said that growth in non-life policies was down and that life insurance growth was ten percent in 1985, down from an average of 16-18 percent.

6.07 The key factor which appears to hamper further direct investment in Thailand by banks and finance and insurance companies was stated as being government policy measures. In general, one respondent said, government economic policy is conservative which has a stabilizing affect, but it also leads to delays in the implementation of major projects. Lack of consensus among government bodies was suggested as a reason for such delays. Restrictions imposed on the expansion of foreign banking, finance and insurance firms was repeatedly singled out for criticism by both questionnaire and interview respondents.

6.08 As with the energy companies, there was little positive response to the open-ended question regarding government practices and regulations even though the respondents appeared more positive than negative about specific government agencies. Three respondents regarded the Ministry of Finance favorably and two the Bank of Thailand. The only negative aspect of Thai government practices cited by more than one company in this sector was restrictions imposed on growth. The specific complaint concerned the difficulty of setting up branch offices in Thailand.

6.09 Interviewees said that major problems faced during start up operations were getting a licence, getting definite answers from certain agencies and gaining public acceptance. However, all had a generally favorable impression of Thailand's potential and ranked Thailand high in their international networks in terms of profitability.

Banking and finance

6.10 Three banking and finance sub-sector respondents classified themselves as private companies and the other two as branch or representative offices. US ownership of the five respondents averaged 75 percent. Four of the five companies reported their registered capital and in three cases this was fully paid. Total registered capital for the

four was 603 million baht and total paid in capital came to 533 million baht.

6.11 Total investment by sub-sector respondents was 8.9 billion baht with 81 percent of this sum being in the form of local debts. Three companies reported local debt at over 500 million baht each while only one reported any foreign debt. One banking and finance company reported having local equity while three had foreign equity. Total local debt was 7.2 billion baht, foreign debt 800 million baht; local equity 179 million baht and foreign equity 703 million baht,

6.12 Annual investment disclosures revealed that banking and finance firms tended to invest lump sums of 20 or 35 million baht in one year and not make any further substantial investments for at least two more years. With no investment reported in 1985, total sub-sector investment for the 1982-85 period came to 95 million baht. However, combined investments in 1984 came to 55 million baht and two banking and finance companies stated their intention to invest a further 50 million baht each into Thailand in the 1986-88 period.

6.13 Three of the companies in the sub-sector reported combined revenues for 1985 at 643 million baht. A fourth did not give a figure but wrote "break even" on the questionnaire. Combined taxes for the year were 201 million baht for the four respondents which completed this section. Sixty three percent of these taxes constituted corporate income taxes with all the remainder being municipal and business taxes.

6.14 Only one of the five employs any US staff although total non-Thai staff numbered six, including four of non-US nationalities. Thai staff employed totaled 577 permanent and 30 contract employees. Between 1982 and 1985 two expatriate senior managers and one middle manager had been replaced by Thais. Expatriate staff were estimated to face a five million baht personal income tax bill in 1985 by the only company which responded to this question.

6.15 Apart from one positive comment on government provident fund and finance company legislation, no other comment on the positive impact on business of government regulations and practices was mentioned. Negative comments centered on operating restrictions. Banks and finance companies complained of restrictions on setting up sub-branches, on the types of deposit that could be handled and on joining the ATM network. In subsequent interviews, banking respondents complained of unequal treatment with Thai banks. One interviewee said that foreign banks had restricted market access in Thailand but this did not apply to Thai banks overseas. A specific complaint mentioned by

all banking respondents was the business tax which they must pay, but government banks do not.

6.16 Other negative comments from interviewees included the lack of specificity in the Banking Law which allows finance companies to operate as banks. One respondent said that Thailand was not an easy market because of the lack of financial information, the amount of competition and the highly-regulated market. Another mentioned the large Thai banks as a powerful lobby which may try to block new foreign banks from entering.

6.17 Despite this, banking and finance companies had a very favorable impression of the government agencies with which they had most contact. Three questionnaire respondents cited the Bank of Thailand as most effective in responding to company requirements, with one adding the comment that the Central Bank was reasonable and usually gave prompt advice. Two of these also mentioned the Ministry of Finance in this context. Only the Revenue Department was mentioned as least effective by one respondent who also complained of tax increases on internal income. The only mention of the 1984 baht devaluation was one negative comment that the delay in the devaluation and the credit clampdown in the same year had a negative affect on operations.

6.18 Overall, respondents indicated that their impression of doing business in Thailand was generally favorable but that the extremely high potential for foreign banks in the country could not be fulfilled unless the government was prepared to ease the restrictions on these banks. One interviewee suggested that Thailand could easily attract US\$20-25 million investments from each new bank if the regulations were eased. "Down the road it has to be good," he added, "We would open a full branch here tomorrow if we could."

Insurance

6.19 Only two insurance companies responded to the questionnaire -- one a private company, the other a branch office. US ownership averaged 65 percent.

6.20 Neither respondent reported any investments made or projected and most of the other financial data was completed by one respondent. Only the section on foreign equity was completed by both respondents and this totaled 301 million baht. One company which filed reported a fully paid up registered capital. While both respondents reported combined 1985 revenues of over 2.7 billion baht, only one disclosed 1985 tax information. This company broke down its taxes into 70 percent corporate income taxes, ten percent business taxes and 20 percent other taxes.

6.21 Only one of these companies employed any US staff and neither reported any Thais replacing expatriates in management positions in the 1982-85 period. Expatriate income tax for the year 1985 was reported at 0.4 million baht.

6.22 While insurance companies reported lower growth in 1985 than in previous years, two companies interviewed said that the bottom line of operations in Thailand was generally good.

6.23 Neither questionnaire respondent cited any government practice as having a positive affect on business operations, although one interviewee said that the 1967 Insurance Law which governs cash flow is reasonable since the government may want to keep premiums in Thailand. The BOI was cited as a helpful but slow agency, by one interview respondent while another said that the Immigration Division was much improved.

6.24 Both questionnaire respondents complained of discrimination -- either in the form of public sector purchasing practices regarding insurance coverage and services or the restriction on foreign branches opening sub-branches in up-country areas. One interviewee mentioned recently licensed medical insurance companies each with less than five percent foreign ownership as not being subject to certain rules. Another said that insurance companies face competition from "behind the scenes brokers" for small company business. Other restrictions mentioned by interviewees was the government's confining of provident fund licences to financial companies.

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.1: TOTAL INVESTMENT (in million baht)

	Banking & Finance	Insurance	Total	%
Local Equity	179	2	181	1%
Foreign Equity	703	301	1,004	8%
Local Debt	7,244	3,700	10,944	85%
Foreign Debt	800	0	800	6%
Total Equity	882	303	1,185	9%
Total Debt	8,044	3,700	11,744	91%
Total Investment	8,926	4,003	12,929	100%

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.2: COMPANY ENTITY

	Banking & Finance	Insurance	Total	%
Public Co				
Private Co	3	1	4	57%
LP				
ROP				
Sole Propshp				
Branch	2	1	3	43%
Total	5	2	7	100%

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.3: US OWNERSHIP

	Banking & Finance	Insurance	Total	%
10-35%	1	1	2	29%
36-49%				
50%	1		1	14%
51-65%				
66-90%				
91-100%	3	1	4	57%
Total	5	2	7	100%
Average %	75%	65%	72%	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.4: TOTAL STAFF

	Banking & Finance	Insurance	Total	%
1-5				
6-10	1		1	14%
11-25				
26-50		1	1	14%
51-100	1		1	14%
101-250	2		2	29%
251-500	1	1	2	29%
501-1,000				
> 1,000				
Total	5	2	7	100%
Actual	613	363	976	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.5: US PERMANENT STAFF

	Banking & Finance	Insurance	Total	%
0	4	1	5	71%
1-5	1	1	2	29%
6-10				
11-50				
51-100				
Total	5	2	7	100%
Actual	2	1	3	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.6: THAI PERMANENT STAFF

	Banking & Finance	Insurance	Total	%
0-5				
6-10	1		1	14%
11-25				
26-51	1	1	2	29%
51-100				
101-250	2		2	29%
251-500	1	1	2	29%
501-1,000				
> 1,000				
Total	5	2	7	100%
Actual	577	358	935	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.7: THAI NATIONALS REPLACING EXPATS

	Banking & Finance	Insurance	Total	%
Chief Exec				
Senior Mgnt	2		2	67%
Middle Mgnt	1		1	33%
Other				
Actual	3	0	3	100%

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.8: REGISTERED CAPITAL

	Banking & Finance	Insurance	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999				
2kk-4,999,999		1	1	14%
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999	1		1	14%
50kk-99,999,999	1		1	14%
100kk-200kk	1		1	14%
> 200kk	1		1	14%
No Response	1	1	2	29%
Total	5	2	7	100%
Actual (m.bt.)	603	3	606	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.9: PAID IN CAPITAL

	Banking & Finance	Insurance	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999				
2kk-4,999,999		1	1	14%
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999	1		1	14%
50kk-99,999,999	2		2	29%
100kk-200kk				
> 200kk	1		1	14%
No Response	1	1	2	29%
Total	5	2	7	100%
Actual (m.bt.)	533	3	536	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.10: LOCAL EQUITY

	Banking & Finance	Insurance	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999				
2kk-4,999,999		1	1	14%
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-200kk	1		1	14%
> 200kk				
No Response	4	1	5	71%
Total	5	2	7	100%
Actual (m.bt.)	179	2	181	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.11: FOREIGN EQUITY

	Banking & Finance	Insurance	Total	%
< 50k baht				
50k-499,999				
500k-999,999		1	1	14%
1kk-1,999,999				
2kk-4,999,999				
5kk-9,999,999	1		1	14%
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-199,999,999				
200kk-500kk	2	1	3	43%
> 500kk				
No Response	2		2	29%
Total	5	2	7	100%
Actual (m.bt.)	703	301	1,004	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.12: LOCAL DEBT

	Banking & Finance	Insurance	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999				
2kk-4,999,999				
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-199,999,999				
200KK-500KK				
> 500kk	3	1	4	57%
No Response	2	1	3	43%
Total	5	2	7	100%
Actual (m.bt.)	7,244	3,700	10,944	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.13: FOREIGN DEBT

	Banking & Finance	Insurance	Total	%
< 50k baht				
50k-499,999				
500k-999,999				
1kk-1,999,999				
2kk-4,999,999				
5kk-9,999,999				
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-199,999,999				
200KK-500KK				
> 500kk	1		1	14%
No Response	4	2	6	86%
Total	5	2	7	100%
Actual (m.bt.)	800	0	800	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.14: INVESTMENTS 1982-1990

INVESTMENTS 1982-1985 (in million baht)

	Banking & Finance	Insurance	Total	%
1982	20		20	21%
1983	20		20	21%
1984	55		55	58%
1985				
Total	95	0	95	100%

PROJECTED INVESTMENTS 1986-1990 (in million baht)

	Banking & Finance	Insurance	Total
1986-1988	100		100
1986-1990	100		100
TOTAL INVESTMENTS 1982-1990	195	0	195

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.15: 1985 REVENUE

	Banking & Finance	Insurance	Total	%
500k-1,999,999 baht				
2kk-9,999,999		1	1	14%
10kk-19,999,999				
20kk-49,999,999				
50kk-99,999,999				
100kk-199,999,999	2		2	29%
200kk-499,999,999	1		1	14%
500kk-999,999,999				
1kkk-10kkk		1	1	14%
> 10kkk				
No Response	2		2	29%
Total	5	2	7	100%
Actual (m.bt.)	643	2,710	3,353	

BANKING, FINANCE AND INSURANCE SECTOR

Table 6.16: 1985 TAXES (in million baht)

	Banking & Finance	Insurance	Total	%
Mun. & Bus. taxes	74	10	84	28%
Corp. taxes	127	70	197	65%
Duties				
Others		20	20	7%
Reported in total				
Total	201	100	301	100%

MANUFACTURING

7.01 The 28 manufacturing companies responding to the questionnaire reported a total investment of 9.3 billion baht and combined registered capital of 877 million baht.

7.02 These manufacturers were broken down into six principal sub-sectors, thus: six in chemical and pharmaceutical products, four in agricultural and food products, six in electrical and electronic products, seven in other consumer products, three in metals processing and two in others.

7.03 The questionnaire respondents included 20 private companies, seven public companies and one sole proprietorship. Thirteen of the sector sample reported more than 90 percent US ownership and nine reported 50 percent or more Thai ownership. The average US ownership was 74 percent. Of the combined registered capital of 877 million baht, combined paid in capital totaled 737 million baht.

7.04 Of the total investment of 9.3 billion baht, 30 percent represented foreign equity, 20 percent foreign debt, 38 percent local debt and 12 percent local equity.

7.05 The electrical and electronic industry respondents accounted for 39 percent of the total investment. Respondents manufacturing consumer products not covered by other sub-sectors accounted for a further 36 percent of the total. Each of the agricultural and food products and chemical and pharmaceutical products sub-sectors contributed seven percent. Firms involved in metals processing industries accounted for five percent. Two unclassified manufacturers made up the balance of six percent.

7.06 Combined investments reported by manufacturing respondents between 1982 and 1985 amounted to 2.3 billion baht. Annual investment totals experienced high growth rates of 75 percent in 1983 and 80 percent in 1984 but 1985 saw a negative growth rate of 17 percent. The prospect for the 1986-88 period as reported by the respondents indicates a somewhat brighter picture. According to the projections, average annual investment over the period will be up on 1985.

7.07 Total revenues for 1985 were reported at over 9.1 billion baht. Total taxes for the year were estimated at over 1.2 billion baht. Of those taxes broken down by category, 41 percent was business and municipal taxes, 38 percent was import and export duties, and 19 percent was corporate income tax.

7.08 Manufacturing companies reported employing a total of 20,903 staff or over 70 percent of total employment by all sectors. This included 25 US permanent staff, 20,600 Thai permanent staff and 231 Thai contract staff. In the 1982-85 period responding companies reported replacing 35 expatriate senior personnel with Thai nationals. One of these was a chief executive, 19 were senior managers, 14 middle managers and one was classified as other management. Expatriate income tax bills for 1985 were estimated to total 54 million baht.

7.09 The general picture for the manufacturing industry is one of high growth temporarily interrupted in 1985 but this should not affect long term investment plans. Two distinct, but not too dissimilar patterns were indicated by the questionnaire responses. The electrical and electronic products manufacturers experienced strong growth rates in investments committed of 83 percent in 1983 and 106 percent in 1984 but a negative growth rate of 45 percent in 1985. This pattern was also evident among agricultural and food products manufacturers. Investment growth in this sub-sector was 26 percent in 1983 and 54 percent in 1984. 1985 saw a negative growth rate of 63 percent. However, both these sub-sectors anticipated a revival in investment spending in the 1986-88 period. The second pattern as revealed by chemical and pharmaceutical manufacturers and other consumer product manufacturers was of accelerated investment spending in 1985 and further increases expected in the future.

7.10 The reasons for the downturn in 1985 vary from industry to industry. From the questionnaire responses, the major fallout appeared to occur in the electrical and electronics sub-sector. However, in subsequent interviews, respondents in this sub-sector were the only ones to deny that the overall economic environment in Thailand had any impact on business. One respondent explained that this was so because the industry was geared to export markets. Indeed, both interview and questionnaire respondents in this sub-sector appeared to be the most positive of all the manufacturers.

7.11 Instead, manufacturers geared to supplying the domestic market cited a number of economic factors which had resulted in a business downturn. These included the baht devaluation, high interest rates and high or increased company taxes resulting in higher operating costs; the fall in commodity prices, high unemployment and collapses of finance companies and chit funds resulting in reduced spending power and high credit risks; and fierce competition resulting in businesses operating below cost to remain in the market. Despite such gloom, the questionnaire responses indicated that most of these sub-sectors were

planning continuing and even accelerated investment programs in Thailand.

7.12 A possible explanation of the seemingly contradictory situation outlined above could be that export oriented manufacturers, being more directly susceptible to world market fluctuations, have geared their investment programs to envisaged developments in overseas markets. Moreover, electronics manufacturers stated cost reduction as a principal goal in their projected investments. At the same time, manufacturers currently suffering from a slow local market in Thailand are increasing spending to maintain market shares or anticipating improved circumstances in the near future.

7.13 This explanation is supported by the fact that manufacturers surveyed tended to express a lot of faith in the long term investment climate in the country despite the current downturn. Five questionnaire respondents claimed that the investment climate had a beneficial influence on their business. Moreover, ten manufacturers said that the Board of Investment had most effectively responded to their business needs. Another positive development cited by four companies in this sector was the streamlining of government agency procedures.

7.14 Such positive opinions were repeated in more muted tones in the interviews. Interviewees repeatedly mentioned the quality of the local workforce as a major incentive to invest in Thailand. Specifically, Thai workers were said to have the following advantages: high productivity set against low costs, availability, high motivation, good management and technical skills, manageable unions and a high literacy rate. Other positive factors mentioned included the stabilizing affect of the monarchy, the generally positive attitude of the Thai government and the flair of the Thai private sector. One manufacturer commented: "If it wasn't profitable (to operate in Thailand), we wouldn't be making a bigger investment in the next two years than we've made in the last five."

7.15 On the negative side, nine questionnaire respondents considered high import duties or excise taxes to be detrimental to their business and seven complained of inconsistent, slow or unfair government agency procedures. The specific targets for this criticism tended to be the Customs Department and the Revenue Department. The former was named as least effective in responding to company requirements by ten respondents, the latter by five. Six companies further claimed a negative impact from the rate or method of implementation of business or corporate taxation while three leveled similar criticism at personal income taxes. Regarding differing interpretations by the Customs Department and BOI, one manufacturer interviewed said that

"The trouble is that BOI have limited authority over Customs."

7.16 Overvaluations on import duties were mentioned by several respondents as being ultimately negative to the development of business and the country. One said that certain materials produced locally were artificially expensive because of the protective import tariff. Another said that its plan to introduce technology which would improve crops and create more jobs had to be scrapped because of high import duties. One manufacturer commented that protective import duties precluded the company from bidding on government contracts. However, one manufacturer said that he found the Customs Department to be reasonable when a particular problem was discussed.

7.17 Complaints against the Revenue Department centered on auditing procedures, overassessments and retroactive taxes. Two interviewees commented that taxation was the primary limiting factor or disincentive to investing in Thailand. Another commented that "The Revenue Department is not even-handed in enforcing regulations against small producers as they do against the majors." Experience of tax clearance tended to vary with some respondents seeing it as a problem, others as none at all.

7.18 Other negative factors cited by respondents were unfair competition from government enterprises, lack of patent protection and increased government interference. One manufacturer said that the BOI's fixation on exports was detrimental to his company's business which involved investing in expanding the domestic market.

7.19 One manufacturer interviewed offered the following advice to investors considering entering Thailand: "Get a good local attorney's advice before your in-house attorney prepares any documents. Establish a relationship with the BOI. They will steer you in the right direction."

Electrical and electronic products

7.20 The six companies manufacturing electrical and electronic products included three public companies and three private companies. Four of the companies were involved in manufacturing such electronic components as integrated circuits, etc, and two were manufacturers of electrical appliances or equipment. Average US ownership was 84 percent. Total registered capital was 231 million baht with 178 million of this paid in.

7.21 This sub-sector accounted for 3.65 billion baht of the total 9.3 billion invested in Thailand by manufacturing respondents. A breakdown of the sub-sector's investment

showed it to be heavily dependent on foreign financing. Foreign equity accounted for 1.6 billion baht of the total and foreign debts were 1.7 billion baht. Local debt totaled 394 million baht and local equity 16 million baht.

7.22 Annual investments grew from 163 million baht in 1982 to 299 million baht in 1983 and 615 million baht in 1984. In 1985, investment reported in this sub-sector fell to 341 million baht, but the respondents anticipated investing 1.3 billion baht in the 1986-88 period which accounted for 69 percent of all investment projected by manufacturers for the period. All six respondents planned to invest in this period. They gave a wide range of reasons for such investments. Business expansion and the need to reduce costs were each mentioned by three respondents in this sub-sector. Cost reduction seemed to play a more important role in projected investments than it did in investments already committed. Two companies gave the attractive investment climate in Thailand as a reason for investing. Other reasons given were to improve quality or productivity, to upgrade technology or modernize facilities, to develop new products and the presence in Thailand of well trained, capable staff.

7.23 The sub-sector expected total revenues in 1985 of nearly 2.9 billion baht, the highest in the sector, and total company taxes to be 227 million baht. The major taxation category was import and export duties which accounted for 48 percent of total company taxes of those companies which gave a breakdown. Business and municipal taxes accounted for another 31 percent and corporate income taxes 19 percent. Import duties were mentioned as a negative business factor by two respondents. One said that it had experienced inconsistency in the classification of some imports for duty between the Customs Department and the BOI. The other said that customs procedures on valuation, bonding and export tax exemption were greatly in need of improvement.

7.24 Electrical and electronic products manufacturers employed 7,745 staff of which 7,669 were Thai permanent staff and nine were US permanent staff. Four permanent staff of other nationalities and 63 Thai contract staff were also employed. Five Thai nationals, all at senior management level, had replaced expatriate employees in these companies between 1982 and 1985. Personal income taxes to be paid by expatriates in 1985 were estimated to total 20 million baht. Commenting on the high rate of expatriate income tax, one respondent said that the Revenue Department's rulings on this issue had "resulted in a pessimistic outlook from our headquarters".

7.25 Other than taxation and Customs problems, the only other concern expressed by more than one respondent was

regarding delays in improving the overall telecommunications system. One respondent added that the high cost and poor performance of computer data lines "continuously impacts our manufacturing operations", adding that Thailand had the highest costs in this field of any Asian location.

7.26 The Customs Department was mentioned three times and the Revenue Department twice as agencies which had responded least effectively to company requirements. One respondent added that arbitrary valuations by the Customs Department had resulted in 20 percent higher duties and accused the Revenue Department of non-professional auditing procedures and processing delays.

7.27 On the positive side, the BOI was considered an agency which most effectively responded by four of the six respondents. The BOI's help in obtaining clearance of imported machinery and materials was specified by one respondent. Other agencies regarded in a positive light included the Immigration Division, the Labor Department, and the Ministry of Industry in its issuance of permits, interpretation of regulations and support for local industry.

Agricultural and food products

7.28 The four respondents in the agricultural and food products sub-sector included three private limited companies and one public company. Total investment by these respondents stood at 647 million baht. This was made up of 237 million baht in foreign equity, 58 million baht in local equity, 238 million baht of local debt and 114 million baht foreign debt. The respondents' registered capital totaled 84 million baht, all fully paid in. Average US investment was 81 percent.

7.29 A similar pattern to the electrical and electronic products sub-sector was revealed in the annual investment disclosures for the agricultural and food manufacturing sub-sector. Annual investments were reported at 31 million baht in 1982, 39 million baht in 1983, 59 million baht in 1984 and down to 22 million baht in 1985. As with the electrical and electronics field, investment is projected to pick up in the 1986-88 period with an average annual investment by the sub-sector 127 percent higher than in 1985. Projected investments for the 1986-88 period totaled 151 million baht and, for the 1986-90 period 228 million baht. Two respondents regarded the investment climate in Thailand to be a major factor in their investments. One gave "long term investment in a fast developing country" as a reason for investing between 1982 and 1990, while another stated its "ongoing commitment to Thai operations as a source of low cost production". Upgrading or replacement of

facilities, market potential and product improvements were other reasons cited.

7.30 Total revenues in 1985 were reported at 1.1 billion baht with total company taxes coming to 99 million baht. Taxes were evenly divided between business and municipal, corporate income and import and export duties. Both the Customs and Revenue Departments were criticized by respondents: Customs for import clearance procedures, arbitrary assessment of CIF prices, delays in getting duty refunds on export sales and unsupported requirements; Revenue for high business taxes, arbitrary and unprofessional reviews of taxes and general delays. One respondent commented of both departments: "Their need to increase revenues has led to unfair treatment of the most visible potential contributors instead of increasing their base."

7.31 The sub-sector reported total employment of 2,716 staff, including 2,706 Thai permanent staff and four US permanent staff. The other six were all permanent staff. A total of 16 Thai nationals replaced expatriates in management positions in these companies between 1982 and 1985. Four of these were at senior management level and 12 in middle management. Expatriate income taxes estimated for 1985 totaled over two million baht.

7.32 One negative impact from government action mentioned by two respondents concerned stringent Food and Drug Administration regulations on product licensing, and on the labeling and advertising of food products. Both these companies complained of increased activity by the Internal Trade Department of the Ministry of Commerce. One said that the ITD's regulations on controlled products had had a negative impact on operations. One respondent also mentioned the Consumer Protection Board in this regard.

7.33 Positive comments on government regulations and agencies were few. The BOI was named as a helpful agency by two respondents, with one specifying the help the company had received through BOI endorsements of work permit and visa renewals. Another respondent commented that the Immigration Division had improved markedly. One other positive comment was on the Bank of Thailand for its help in foreign currency remittances.

Chemicals, pharmaceuticals and related consumer goods

7.34 This sub-sector covered a wide range of manufacturers engaged in the manufacture of industrial chemicals and gases; chemical compounds, plastics and pesticides; and pharmaceutical, nutritional, confectionery and other related consumer products. Of the six respondents, five were

private companies and one a sole proprietorship. US ownership of the responding companies in this sub-sector averaged 83 percent.

7.35 Total investment by respondents in the chemicals sub-sector stood at 623 million baht. This was broken down into 218 million baht of foreign equity, 24 million baht of local equity, 373 million baht in local debt and eight million baht foreign debt.

7.36 The chemicals field manufacturers reported a peak investment year in 1983 when 50 million baht was invested followed by a slump to 12 million baht in 1984 which picked up to 29 million baht in 1985. A further 132 million baht was slated for investment in the 1986-88 period and 191 million baht in the 1986-90 period. The most common reason stated for these investments was business growth. More specifically, going into new products, expanding or establishing production facilities and improving cost structures were mentioned. One respondent mentioned receiving BOI privileges as one of its reasons for investing in local production. One respondent which stated expansion into new products as its reason for its projected investments, said that investments in the 1982-85 period had been committed in order to protect its market share. Only one company in this sub-sector did not state an intention to invest in the 1986-90 period.

7.37 Sub-sector respondents expected to earn 1.3 billion baht in revenues in 1985 and pay 274 million baht in company taxes. One respondent listed expected revenues but not taxes. Import and export duties constituted 49 percent of total taxes expected to be paid in 1985. Business and municipal taxes made up another 29 percent and corporate income taxes the remaining 22 percent. Despite this breakdown, only one respondent complained of high import duties. In fact, one respondent said that import duty protection for local production had positively affected business operations. Customs procedural problems, such as arbitrary customs duty assessments and the difficulty involved in contesting decisions made by customs officials, were mentioned as negative aspects by two respondents. One respondent complained of high corporate and excise taxes.

7.38 Respondents in this sub-sector employed 639 staff. Of these, 632 were Thai permanent and four were Thai contract staff, one was an American permanent staff. The remaining two were permanent staff. One expatriate senior manager had been replaced by a Thai in the 1982-85 period. In 1985 the respondents estimated that over three million baht would be paid as personal income tax by expatriate staff. One company mentioned high personal income taxes as a negative factor in its operations in Thailand.

7.39 There were few other comments either positive or negative made by respondents in this sub-sector. The BOI was named once as having responded effectively to company requirements and another company cited BOI privileges as a factor in its investment plans. One interviewee saw a conceptual problem at the BOI: "Thailand says it wants free trade but the BOI is a protectionist organization. It helps inefficient enterprises and this hurts the consumer." The limitation on the total value of imports imposed by the Bank of Thailand was cited as having a negative impact by one questionnaire respondent and another mentioned the restriction on growth imposed by the Alien Business Law once the current waiving period had elapsed as another negative factor. One company mentioned that the Industrial Estate Authority of Thailand had been slow in approving licenses while another complained of the difficulties faced in trying to obtain an additional telephone line.

Metals processing

7.40 Three manufacturers involved in metals processing industries responded to the questionnaire. The three were private limited companies and averaged US ownership of 80 percent. Total registered capital was 221 million baht with 166 million baht paid in.

7.41 Combined investments by the three respondents totaled 420 million baht. This was made up of 169 million baht in foreign equity, 34 million baht in local equity, 128 million baht in local debt and 89 million baht in foreign debt. Only one respondent disclosed specific investments in the 1982-90 timespan but all three offered reasons for investing in Thailand. Competition was mentioned twice as a major factor for investing and the growth potential of the Thai economy was also mentioned twice. One respondent stated its "belief in the fact that Thailand (above other ASEAN countries) offered greater business potential". One respondent cited capacity increase, product diversification and "avoiding/reducing import duties" as its rationale for investing in the 1986-88 period.

7.42 The three respondents anticipated combined 1985 revenues of 354 million baht and combined company taxes of 26 million baht. The major taxation category for these firms was import and export duties which accounted for 58 percent of total taxes. Business and municipal taxes made up another 27 percent of the total and corporate income taxes the balance of 15 percent. High taxation was mentioned by all three respondents as a negative government practice. Two respondents mentioned duty increases in this context, one "unrealistic" excise taxes and one complained of double taxation -- on imports of raw materials and again on sales of the finished product.

7.43 The sub-sector respondents employed a total of 1,003 staff. Thai permanent staff totaled 991 and Thai contract staff three. Of the remaining nine employees, only one was an American permanent staff. One Thai manager replaced an expatriate in the 1982-1985 period. Almost eight million baht was expected to be paid by expatriate employees in personal income tax in 1985. One respondent commented that personal income taxes, particularly for expatriate staff, had a negative impact on operations.

7.44 Apart from complaints about high tax rates, procedural problems were mentioned as a significant obstacle to business by one respondent. "Complicated and questionable Customs practises", slow tax clearances by the Revenue Department and slow visa and work permit processing by the Labor Department were mentioned in this regard. Again, the BOI was singled out as most effective in responding to company needs. Two respondents mentioned the agency in this context. One went on to praise the BOI for encouraging foreign investment, adding that the agency had been receptive to the firm's investment proposal.

Other consumer goods

7.45 The seven companies classified in this sub-sector included consumer goods manufacturers which did not fit into any of the above sub-sectors, such as manufacturers of garments and specific household disposable or durable goods. Three companies which stated their products as consumer goods but did not specify any further were also included in this sub-sector. There were five private companies and two public companies in this sub-sector. Only one of the companies was 100 percent US owned and US ownership averaged 58 percent for the sub-sector. Registered and paid in capital both totaled 222 million baht.

7.46 Total investment in the other consumer goods sub-sector was close to 3.4 billion baht. Sixty five percent, 2.2 billion baht, of this investment was in the form of local debt. This sub-sector accounted for 61 percent of all local debt reported by manufacturing companies. Combined local equity was 701 million baht and foreign equity totaled 470 million baht. The balance of 41 million baht was in foreign debt.

7.47 Combined annual investments by the other consumer goods sub-sector were 36 million baht in 1982, 62 million baht in 1983, 92 million baht in 1984 and 210 million baht in 1985. A further 273 million baht was stated as projected investments for 1986-88 and 573 million baht between 1986 and 1990. Reasons given for these investments were market growth, including increased demand for particular products and new product opportunities, cost reduction and

establishing or upgrading manufacturing facilities. One respondent cited the "good general economic climate" as its reason for investing in the 1982-84 period. This respondent reported zero investment in 1985 but planned to resume its investment program in the 1986-88 period, giving as its reason: "A belief the economy will improve".

7.48 In 1985 manufacturers in this sub-group anticipated revenues totaling 2.4 billion baht. Total taxes were estimated at 429 million baht, the highest in the manufacturing sector even though one company with revenues in the 100-200 million baht bracket did not give any tax data. Five respondents gave a breakdown for taxes payable. From these, the major taxes were business and municipal which accounted for 47 percent of the total. Another 24 percent was in import and export duties and 23 percent in corporate income taxes. Other taxes, which one company specified as withholding taxes, made up the balance. None of the respondents mentioned high business taxes as a negative factor in its operations, but one complained of retroactive tax assessments. Three respondents commented on high import duties, saying that they were excessive, that duty increases had contributed to higher costs, and that increased valuations on import invoices by the Customs Department had had a detrimental affect on business.

7.49 Total staff numbered 7,973, the highest in the manufacturing sector. Thai permanent staff totaled 7,777, Thai contract staff 161, US permanent staff nine and permanent staff of other nationalities 24. Two Americans were employed as contract staff. Eight expatriates were replaced by Thai nationals between 1982 and 1985. One of these was at chief executive level, five at senior management and two middle management. Expatriate income taxes to be paid in 1985 were expected to total over 11 million baht. One respondent considered personal income taxes "excessive" and negatively impacting operations.

7.50 Other than complaints about high taxation, the baht devaluation was the only other government action which came in for criticism by more than one respondent. One said the devaluation had hurt imported products and also complained of the Bank of Thailand's high interest rates and the lack of a forward cover market. Another respondent grouped the devaluation together with high interest rates and import duty increases as having increased production, marketing and operating costs to an extent not fully recoverable in sales prices. One respondent claimed that the Labor Law and minimum wage regulations were hampering the company's desire to employ rural villagers.

7.51 Complaints against specific agencies included delays in the processing of goods and documents. Both the Customs Department and the BOI were mentioned in this context.

However, other respondents mentioned both these agencies in a positive context. One said that customs clearance procedures had been improved and the other that BOI tax incentives had had a positive affect on its operations. Other agencies which came in for praise were the Ministry of Commerce for its help with export quota problems, the Commodities Standards Office for streamlining paperwork and the Bank of Thailand.

Others

7.52 Two manufacturing sector respondents were classified as "others". One was a manufacturer of rubber products and the other failed to specify any products. One was a private company, the other public. Average US ownership was 55 percent. One respondent had a fully paid in registered capital. The other stated its paid in capital, but not capital registered.

7.53 Total investment by these two firms was 567 million baht. This consisted of 44 percent local equity, 13 percent foreign equity, 43 percent local debt and no foreign debt. Annual investments were 21 million baht in 1982, 22 million baht in 1983, 40 million baht in 1984 and 54 million baht in 1985. Projected investments totaled 16 million baht in the 1986-88 period and 46 million baht in the 1986-90 period. Neither respondent cited market growth as its reason for past or future investments. In both cases, replacement or modernization of facilities was the sole reason given.

7.54 Combined revenues were estimated at just over one billion baht in 1985 and total company taxes were expected to be 182 million baht. The major tax category was business taxes which accounted for 55 percent of the total. Import and export duties made up nearly 45 percent. No corporate income taxes were reported. Both respondents cited high business taxes as having a negative impact on operations. One respondent said the tax had increased from 7.7 percent to 9.9 percent, while the other noted that its total taxes amounted to about 30 percent of revenue while the company was in a breakeven profit situation.

7.55 A total of 827 staff were employed by these companies. Apart from an American and one other permanent employee, all were Thai permanent staff. The two respondents reported replacing four expatriate senior managers with Thai nationals in the 1982-85 period.

7.56 Despite continuing investments by companies in this sub-sector, one respondent said that it did not expect any profit in 1985 and the other that it was in a breakeven situation. Both singled out high taxation as major negative factors to operations in Thailand. However, one said that

it had benefitted from increased duties on imported finished products and from securing tax free status on imported materials used for exports. However, this firm mentioned the high cost of certain locally available raw materials and indecision on the part of the government as adversely affecting its business.

7.57 Only one respondent commented on specific government agencies. The respondent said that the BOI, the Customs Department and the Ministry of Finance "have all responded to a degree", but added that in general its experience of government agencies had been "some good -- some not so good -- on balance about equal".

MANUFACTURING SECTOR

Table 7.1: TOTAL INVESTMENT (in million baht)

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
Local Equity	24	58	701	16	34	250	1,083	12%
Foreign Equity	218	237	470	1,585	169	75	2,754	30%
Local Debt	373	238	2,184	394	128	242	3,559	38%
Foreign Debt	8	114	41	1,654	89	0	1,906	20%
Total Equity	242	295	1,171	1,601	203	325	3,837	41%
Total Debt	381	352	2,225	2,048	217	242	5,465	59%
Total Investment	623	647	3,396	3,649	420	567	9,302	100%

MANUFACTURING SECTOR

Table 7.2: COMPANY ENTITY

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
Public Co		1	2	3		1	7	25%
Private Co	5	3	5	3	3	1	20	71%
LP								
ROP								
Sole Propshp	1						1	4%
Branch								
Total	6	4	7	6	3	2	28	100%

MANUFACTURING SECTOR

Table 7.3: US OWNERSHIP

	Chemicals	Agro	Cons Prod	Electr	Metals	Others	Total	%
10-35%			1			1	2	7%
36-49%	2		2		1		5	18%
50%			2				2	7%
51-65%		2		2			4	14%
66-90%			1			1	2	7%
91-100%	4	2	1	4	2		13	46%
Total	6	4	7	6	3	2	28	100%
Average %	83%	81%	58%	84%	80%	55%	74%	

MANUFACTURING SECTOR

Table 7.4: TOTAL STAFF

	Chemicals	Agro	Cons Prod	Electr	Metals	Others	Total	%
1-5								
6-10								
11-25	1	1					2	7%
26-50	2				1		3	11%
51-100	1						1	4%
101-250	1	1	2	1	1	1	7	25%
251-500	1	1	3	1			6	21%
501-1,000				1	1	1	3	11%
> 1,000		1	2	3			6	21%
Total	6	4	7	6	3	2	28	100%
Actual	639	2,716	7,973	7,745	1,003	827	20,903	

MANUFACTURING SECTOR

Table 7.5: US PERMANENT STAFF

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
0	5	2	2	2	2	1	14	50%
1-5	1	2	5	4	1	1	14	50%
6-10								
11-50								
51-100								
Total	6	4	7	6	3	2	28	100%
Actual	1	4	9	9	1	1	25	

MANUFACTURING SECTOR

Table 7.6: THAI PERMANENT STAFF

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
0-5								
6-10								
11-25	1	1					2	7%
26-51	2				1		3	11%
51-100	1						1	4%
101-250	1	1	2	1	1	1	7	25%
251-500	1	1	3	2			7	25%
501-1,000					1	1	2	7%
> 1,000		1	2	3			6	21%
Total	6	4	7	6	3	2	28	100%
Actual	632	2,706	7,777	7,669	991	825	20,600	

MANUFACTURING SECTOR

Table 7.7: THAI NATIONALS REPLACING EXPATS

	Chemicals	Agro	Cons Prod	Electr	Metals	Others	Total	%
Chief Exec			1				1	3%
Senior Mgmt	1	4	5	5		4	19	54%
Middle Mgmt		12	2				14	40%
Other					1		1	3%
Actual	1	16	8	5	1	4	35	100%

MANUFACTURING SECTOR

Table 7.8: REGISTERED CAPITAL

	Chemicals	Agro	Cons Prod	Electr	Metals	Others	Total	%
< 50k baht								
50k-499,999	1						1	4%
500k-999,999								
1kk-1,999,999			1				1	4%
2kk-4,999,999	1	1		1			3	11%
5kk-9,999,999	3						3	11%
10kk-19,999,999		1	3	1	1		6	21%
20kk-49,999,999	1	2	2	3		1	9	32%
50kk-99,999,999					1		1	4%
100kk-200kk			1	1	1		3	11%
> 200kk								
No Response						1	1	4%
Total	6	5	7	6	3	2	28	100%
Actual (m.bt.)	74	84	222	231	221	45	877	

MANUFACTURING SECTOR

Table 7.9: PAID IN CAPITAL

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
< 50k baht	1						1	4%
50k-499,999								
500k-999,999								
1kk-1,999,999	1		1			1	3	11%
2kk-4,999,999	2	1		1			4	14%
5kk-9,999,999	1						1	4%
10kk-19,999,999		1	3	1	1		6	21%
20kk-49,999,999	1	2	2	3		1	9	32%
50kk-99,999,999				1	2		3	11%
100kk-200kk			1				1	4%
> 200kk								
No Response								
Total	6	4	7	6	3	2	28	100%
Actual (m.bt.)	40	84	222	178	166	47	737	

MANUFACTURING SECTOR

Table 7.10: LOCAL EQUITY

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
< 50k baht	1						1	4%
50k-499,999					1		1	4%
500k-999,999								
1kk-1,999,999								
2kk-4,999,999	1						1	4%
5kk-9,999,999			1				1	4%
10kk-19,999,999				1			1	4%
20kk-49,999,999	1		2		1	1	5	18%
50kk-99,999,999		1	1				2	7%
100kk-200kk			1				1	4%
> 200kk			2			1	3	11%
No Response	3	3		5	1		12	43%
Total	6	4	7	6	3	2	28	100%
Actual (m.bt.)	24	58	701	16	34	250	1,083	

MANUFACTURING SECTOR

Table 7.11: FOREIGN EQUITY

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
< 50k baht								
50k-499,999								
500k-999,999								
1kk-1,999,999	1		1				2	7%
2kk-4,999,999	2			1			3	11%
5kk-9,999,999			1				1	4%
10kk-19,999,999			1				1	4%
20kk-49,999,999	1	1	1	2			5	18%
50kk-99,999,999	1	1	1		2	1	6	21%
100kk-199,999,999	1	1	2	1			5	18%
200kk-500kk								
> 500kk				2			2	7%
No Response		1			1	1	3	11%
Total	6	4	7	6	3	2	28	100%
Actual (m.bt.)	218	237	470	1,585	169	75	2,754	

MANUFACTURING SECTOR

Table 7.12: LOCAL DEBT

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
< 50k baht								
50k-499,999								
500k-999,999				1			1	4%
1kk-1,999,999		1					1	4%
2kk-4,999,999	1					1	2	7%
5kk-9,999,999								
10kk-19,999,999			1	1	1		3	11%
20kk-49,999,999	3	1	2	1	1		8	29%
50kk-99,999,999		1	1		1		3	11%
100kk-199,999,999	2	1	1	3			7	25%
200KK-500KK			1			1	2	7%
> 500kk			1				1	4%
No Response								
Total	6	4	7	6	3	2	28	100%
Actual (m.bt.)	373	238	2,184	394	128	242	3,559	

MANUFACTURING SECTOR

Table 7.13: FOREIGN DEBT

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
< 50k baht								
50k-499,999								
500k-999,999	1						1	4%
1kk-1,999,999								
2kk-4,999,999					1		1	4%
5kk-9,999,999	1				1		2	7%
10kk-19,999,999		1					1	4%
20kk-49,999,999			2				2	7%
50kk-99,999,999					1		1	4%
100kk-199,999,999		1		2			3	11%
200KK-500KK				1			1	4%
> 500kk				1			1	4%
No Response	4	2	5	2		2	15	54%
Total	6	4	7	6	3	2	28	100%
Actual (a.bt.)	8	114	41	1,654	89	0	1,906	

MANUFACTURING SECTOR

Table 7.14: INVESTMENTS 1982-1990

INVESTMENTS 1982-1985 (in million baht)

	Chemicals	Agro	Cons Prod	Electr	Metals	Others	Total	%
1982	19	31	36	163		21	270	12%
1983	50	39	62	299	3	22	475	21%
1984	12	59	92	615	37	40	855	37%
1985	29	22	210	341	55	54	711	31%
Total	110	151	400	1,418	95	137	2,311	100%

PROJECTED INVESTMENTS 1986-1990 (in million baht)

	Chemicals	Agro	Cons Prod	Electr	Metals	Others	
1986-1988	132	151	273	1,345	25	16	1,942
1986-1990	191	228	573	1,469	25	46	2,532

MANUFACTURING SECTOR

Table 7.15: 1985 REVENUE

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
500k-1,999,999 baht								
2kk-9,999,999	1	1		1			3	11%
10kk-19,999,999	1						1	4%
20kk-49,999,999			1				1	4%
50kk-99,999,999	1				1		2	7%
100kk-199,999,999	1	1	1		1	1	5	18%
200kk-499,999,999	1	1	4	2	1		9	32%
500kk-999,999,999	1	1	1	2		1	6	21%
1kkk-10kkk				1			1	4%
> 10kkk								
No Response								
Total	6	4	7	6	3	2	28	100%
Actual (m.bt.)	1,323	1,143	2,423	2,879	354	1,015	9,137	

MANUFACTURING SECTOR

Table 7.16: 1985 TAXES (in million baht)

	Chemicals	Agro	Cons Prod	Electr	Metals	Other	Total	%
Mun.& Bus.taxes	81	34	188	46	8	101	458	37%
Corp.taxes	60	34	90	28	4		216	17%
Duties	133	31	92	71	15	81	423	34%
Others			18	3			21	2%
Reported in total			42	79			121	10%
Total	274	99	430	227	27	182	1,239	100%

TRADING

8.01 Trading companies constituted the largest single sector with 37 respondents. Of these, by far the biggest group was engaged in the chemicals, pharmaceuticals and related consumer goods sub-sector. In all, 20 companies fitted into this category and most of these cited pharmaceuticals as their major line. There were also six companies trading in electrical and electronic industrial equipment, four in agricultural and food products, three in other consumer products, two general trading companies and two which failed to specify their area. These companies included 19 private limited companies, 12 branch offices and six public companies.

8.02 Thirty two of the trading company respondents were at least 91 percent US owned and only three were more than 50 percent Thai owned. As a result, average US ownership of companies in the trading sector was 93 percent, the highest along with the energy sector in the sample. Registered capital was reported as totaling 693 million baht. Paid in capital totaled 665 million baht.

8.03 Total investment by the respondent trading companies amounted to over 3.4 billion baht. However, 12 respondents did not complete the questionnaire sections on debt and equity. Of those that did respond, foreign equity accounted for 36 percent of investment, local equity four percent, foreign debt 31 percent and local debt 30 percent.

8.04 Investments by the trading companies over the 1982-85 period were reported at 427 million baht with 223 million baht of this coming from traders in the chemical and pharmaceutical field, 166 million baht from the food area and 38 million baht from unclassified traders. Neither the consumer products nor the industrial equipment trading companies reported any investments between 1982 and 1985.

8.05 The period 1982-85 showed a gradual increase in the number of respondent companies investing (from six out of 37 in 1982 to 11 in 1985). The trend in the actual amount invested showed a strong revival in 1985 after a two year slump. The 231 million baht reported as 1985 investment accounted for 48 percent of the total for the four years.

8.06 Seven respondents cited market or business expansion as the reason for these investments. Other factors cited by two respondents each were the investment climate and incentives, to protect market share against competition, replace/upgrade existing facilities, and start operations/add new facilities.

8.07 Nine respondents intend to make further investments in Thailand by 1988. In the five year period 1986-1990 responding trading companies expect to invest a total of 367 million baht, 315 million of this by 1988. Again, the key factor in the decision to invest is expansion of the market or business. Eight companies gave this as a reason for future investment. The only other reasons cited -- both by two respondents -- were cost rationalization/improve efficiency and start operations/add new facilities.

8.08 Thirty trading companies reported expected total revenue in 1985. The total amount was 8.2 billion baht. Of the 1.4 billion baht in company taxes reported, 78 percent was in the form of import and export duties. Duty payments by responding trading companies accounted for 51 percent of import and export duty payments by all sectors.

8.09 The trading company sample was the second largest employer after the manufacturing sector with 3,058 permanent Thai staff, 38 permanent US staff, 27 permanent staff from elsewhere, and 44 Thai contract staff. Total staff numbered 3,167. Thirteen Thai nationals replaced expatriate staff in the 1982-85 period with five of these being in senior management and six middle management. The others included one chief executive and one in another management position. Respondents reported expatriate income taxes totaling 56 million baht in 1985.

8.10 Given the high proportion of pharmaceutical and consumer-oriented companies in the sample, certain problems were strongly emphasized. Eight respondents complained of growth restrictions or government interference and four of lack of patent protection. Both the Food and Drug Administration and the Ministry of Public Health were criticized by three respondents each. Altogether 11 trading companies complained of the adverse affect of high import duties or excise taxes and six of financial or monetary constraints or price controls. Personal income tax was a source of complaint for four companies and business or corporate tax for four. Four companies also said that the Revenue Department responded least effectively to company requirements while six thought similarly of the Customs Department. Few trading companies had anything positive to say regarding government practices and regulations, although four did consider the Board of Investment to be doing a good job. The Ministry of Commerce was said to have responded most effectively to company needs by three respondents, but another three said it had responded least effectively. Assistance with exports was cited by two companies as a positive government practice.

8.11 Despite such problems, there was little indication that trading companies are eager to leave Thailand. The overall impression garnered from the questionnaires and

interviews was that the success of US trading, and also manufacturing, companies in Thailand, depends to some extent on their ability to adapt to the local business environment. One interviewee commented on government bureaucracy: "There's a hassle if you want to change the system. But there's nothing we are unable to handle through direct contacts." Respondents questioned in interviews asserted that the profit structure tended to differ between Thailand and the US. "American companies must adjust to new profit margins," said one. Another respondent said that in Thailand "you pay 18 percent and return 20 percent. In the US, it's ten to 12 percent." One interviewee offered identical advice to new investors as was offered by a manufacturing sector interviewee: "I would advise any prospective investors to go to the BOI before they do anything. They will steer you in the right direction." The same respondent added that to avoid problems during start up, investors must be well prepared and have all the documentation complete. Another trading sector respondent gave the following advice: "Do a market survey before getting into business -- and get the right caliber of employees."

Chemicals, pharmaceuticals and related consumer goods

8.12 Companies trading in chemicals, pharmaceuticals and related consumer goods accounted for 54 percent of total responding trading companies. Over 50 percent of these companies mentioned pharmaceuticals, animal health or other medical chemicals as their business. Some specialized in industrial chemicals or dealt in both pharmaceuticals and chemicals; and some were dealing in cosmetics, fragrances and related health products. Nine of the 20 companies in this sub-sector were private companies and nine were branch offices. The other two were public companies. US ownership averaged 96 percent. Registered capital totaled 261 million baht and paid in capital was 264 million baht.

8.13 Total investment reported by 55 percent of respondents totaled over two billion baht. Total foreign equity for these companies was 473 million baht and total local equity was 125 million baht. Respondents reported total local debt of 573 million baht and total foreign debt of 875 million baht.

8.14 Investment trends in this sub-sector as revealed by respondents indicated that 1985 was a peak year. Investments by chemicals, pharmaceuticals and related consumer goods traders between 1982 and 1985 amounted to 223 million baht. The major investments in the chemicals field took place in 1985 when 153 million baht was invested. A further 85 million baht was reported by this sub-sector as projected investment for 1986-88 and 96 million baht in the

1986-90 period. The upsurge in investment in 1985 by the trading sector as a whole is largely accounted for by two companies in this sub-sector each investing over 55 million baht. Eight of the 20 companies reported making some investment in 1985 compared with six in 1984 and 1983 and four in 1982. A wide range of reasons were given by respondents for committing these investments. Expansion of business was cited by five respondents for investments committed by 1985. However, only two of these companies gave the same reason for further investments in the 1986-90 period. One of the other three explained its projected investments as aimed to increase capital, while another mentioned replacement of existing facilities as its rationale. The third did not plan any more investment. Investment for replacement items, financing a new building and the need to shore up the capital base were other reasons given. Another said its investments were based on the need to operate fully in independence of a distributor and to hold its own product registration. One respondent which did not plan any investment commented enigmatically: "We have no plan to commit any new investment in Thailand due to the political and economical situation."

8.15 All 20 companies in the sub-sector reported their expected revenues in 1985. The total amount was over 4.5 billion baht. Total company taxes in 1985 were anticipated to be 679 million baht with 82 percent of this going on import and export duties. Not surprisingly, the Customs Department and increases in import duties were popular complaints of companies in this sub-sector. Two firms cited the increase of import duty on finished goods from ten percent to 30 percent as a specific problem for their businesses.

8.16 This sub-sector had a low proportion of companies with US employees on staff. Only five of the 20 respondents had any US staff at all, and none had more than five US employees. Total staff employed numbered 1,511 with 1,477 Thai permanent staff, six US permanent staff, ten other permanent staff and 18 Thai contract staff. Six expatriates were replaced by Thais at senior management level between 1982 and 1985. The period also saw one middle management and one other management change from being an expatriate to a Thai position. Reported expatriate income taxes totaled 20 million baht.

8.17 The most common grounds for complaint by respondents in this sub-sector were concerning government policy on pharmaceutical sales. Implementation of the National List of Essential Drugs (NLED) and centralized purchasing through the Government Pharmaceutical Organization were repeatedly specified as having a negative impact on business. Connected with this issue, and uppermost in the responses from pharmaceutical importers, was the lack of patent

protection in Thailand. One respondent said that because of the absence of patent protection, his company would not launch some new products in Thailand and would restrict future investment decisions in plant and equipment. One respondent said that the local pharmaceutical market was increasingly dominated by the GPO. Another said that if the Cabinet ruling allowing hospitals to purchase non-NLED drugs directly from manufacturers and not from the GPO were approved, this would have a positive affect on business. The use of generic names instead of trade names on the NLED since early 1985 was said by one trader to have resulted in a fall in business to medical and hospital channels of at least ten percent. The respondent considered a revival of business unlikely in the next three to five years if this practice continued.

8.18 Other negative factors repeatedly mentioned by respondents in this sub-sector were the baht devaluation, price controls, and limitations on the total value of imports based on 1983 values. These actions were said to increase costs and lead to product shortages, thus rendering respondents less competitive and unable to expand. Other sources of complaint included irregularities in customs enforcement and decisions, restrictions on advertising, the labeling law and taxation assessments and procedures. One interview respondent said that the FDA's refusal to accept US food and drug test and insistence on its own tests created serious delays in the food business.

8.19 Very few positive comments were made by respondents in this sub-sector. One singled out the Bank of Thailand for being reasonable in the allocation of import quotas and another commented generally on the positive affect of government non-interference and allowing a free market economy. One mentioned having received good cooperation from the BOI in its application for promotional privileges while another said it had found the FDA helpful in speeding up the process of product registration.

Agricultural and food products

8.20 Four trading company² respondents fell into the agricultural and food products sub-sector. Three of these were private companies and the other a public company. Average US ownership was 74 percent. Total registered capital of the three which responded to this question came to 311 million baht, with 296 million of this paid-up.

8.21 Only two companies filled in the sections on debt and equity. For these two, combined local equity was four million baht, foreign equity 288 million baht, local debt 265 million baht and foreign debt 173 million baht. Thus,

for these two companies, total investment was 730 million baht.

8.22 Only one respondent showed any investment for the 1982-90 period. The total for the timespan came to over 350 million baht with the major investments in 1982 and in the 1986-88 period. The reason given for committing these investments was to maintain and/or expand market share and, additionally for the projected investments, to expand business activities.

8.23 Three companies in this sub-sector responded to the question concerning 1985 revenue and taxes. The total revenue expected was 1.7 billion baht. Total taxes expected were 104 million baht with, again, the bulk of this (89 percent) going toward import and export duties.

8.24 Agricultural and food product trading company respondents employed a total of 863 permanent staff, including 841 Thais, 11 Americans and 11 of other nationalities. No contract staff were employed. Three expatriates were replaced by Thais in middle management positions between 1982 and 1985. Two companies reported expatriate income taxes which totaled nearly six million baht.

8.25 Positive comments on the effectiveness of the Immigration Division, the Labor Department and the BOI were cited by respondents in this sub-sector. One also praised the Ministry of Commerce for lifting quotas and minimum prices on agri-product exports. This had the positive effect of removing trade restrictions and enabling free market forces to prevail, the respondent added. The same respondent said that a suspension of a limit on sales had enabled it to expand its domestic market.

8.26 Negative comments were made on high personal income taxes; specific import duties; the lack of enforcement of food laws, public health standards and identity standards; and tax clearance procedures.

Other consumer products

8.27 Three companies trading in household goods and footwear were grouped as other consumer product trading companies. Two of these were private companies and the third a branch or liaison office. All three companies were 100 percent US owned. Two companies reported total registered capital of 46 million baht but only one reported its paid-up capital.

8.28 Only one response was recorded in the debt and equity sections of the questionnaire by a respondent which stated

only foreign equity holdings. None of the three companies responded to the sections on investments, either past and projected. One respondent noted that although it did not plan any capital investments, it did intend to boost advertising spending to ten million baht per year based on its commitment to growth in Thailand.

8.29 Two of the three companies reported expected revenue in 1985 which totaled 90 million baht. Total company taxes for these two respondents were over 13 million baht. Of this, 77 percent was estimated for import and export duties and most of the rest was for business and municipal taxes. One respondent commented on high import duties, adding that they would have an impact on the cost of both imported and locally manufactured products.

8.30 The respondents employed a total of 84 staff. This included six American permanent staff, 71 Thai permanent staff, one other permanent staff and six Thai contract staff. None of the three companies reported any Thai managers replacing expatriate managers between 1982 and 1985. Expatriate income tax payments for 1985 totaled five million baht.

8.31 One respondent cited FDA regulations as a problem in its operations. Specific problems mentioned were the requirement to print pricing on primary packages or labels and the tendency to classify a wide range of products as controlled items. One respondent commented on the baht devaluation in positive terms, saying that it had improved prices of goods for export.

Electrical and electronic industrial equipment

8.32 The second largest trading sub-sector, electrical and electronic industrial equipment, included six companies. These companies were involved in a range of activities including communications, power generation and other electronic and industrial equipment. Three of these were private companies, two branch offices and one a public company. Average US ownership was 88 percent. Three respondents reported their registered capital which totaled 28 million baht, all fully paid-up.

8.33 Only two companies responded to the debt and equity questions. For these two, combined investment was 472 million baht. Local equity totaled one million baht and foreign equity 322 million baht. Local debt was 149 million. No foreign debt was reported.

8.34 Only one company in the sub-sector reported any investments between 1982 and 1985, and these totaled under one million baht. One company reported the intention to

invest one million baht in the period 1986-88. The reason stated for this projected investment was that an increase in capital was required to meet the tender conditions of some government organizations.

8.35 Three of the sub-sector respondents reported combined revenue for 1985 of 1.6 billion baht. Total taxes for the year to be paid by five respondents came to 515 million baht. Of those which gave a breakdown by category, 75 percent of total taxes were to be expended on import and export duties. This percentage figure was low for the trading sector.

8.36 Staff employed by respondents totaled 396. This included 380 Thai permanent staff, 14 US permanent staff and two other permanent staff. No Thai contract staff were employed by any of these companies. Three Thais replaced expatriate managers between 1982 and 1985: one a senior manager and two middle managers. Expatriate income taxes payable were estimated at 23 million baht.

8.37 Little comment was made on government regulations or agencies. On the positive side, one company cited the ease of obtaining renewals of business permits as having materially affected its operations. The Ministry of Defense and the Ministry of Communications were each listed as helpful agencies. Negative aspects mentioned included the devaluation of the baht and problems with work permits for short visit marketing personnel. One respondent also mentioned customs tariffs as having negatively impacted office automation efforts and restricted marketing efforts. Another respondent complained of confusion over price list registration formalities.

General and others

8.38 Four trading companies did not fall within any of the above categories. Two of these were general trading companies engaged in a wide range of product trading and the other two failed to specify their area of trade. Both general trading respondents were private companies and both unclassified respondents were public companies. Three companies were 100 percent US owned and the fourth had 98 percent US ownership. Registered and paid in capital totaled 47 million baht.

8.39 The two general trading companies did not respond to the questions on debt and equity. The unclassified companies had combined foreign equity of 140 million baht, local equity of three million baht, local debts of 33 million baht and three million baht in foreign debts. This gave a total investment of 179 million baht.

8.40 One of the four respondents reported regular investments since 1983 which amounted to 38 million baht by 1985. This company envisaged a continuation of its heavy investment until the end of the decade. It projected nearly 150 million baht investments up to 1990. Reasons given for this projected investment were that in order to remain competitive and share in Thailand's future growth potential, local manufacturing was a necessity; and in order to beat very high import duties.

8.41 The two unclassified companies reported combined revenues for 1985 to be 360 million baht and combined taxes of 79 million baht. Only one of the two companies reported paying any import and export duties but this category still accounted for 70 percent of total tax payable by the two companies. The two general trading companies did not respond to the revenue and taxation questions.

8.42 Combined staff employed by the four respondents numbered 313. Only one permanent US employee was included in this total. The rest was made up of 289 Thai permanent staff, 20 Thai contract staff and three other permanent staff. One of the unclassified companies reported replacing its expatriate chief executive with a Thai between 1982 and 1985. One respondent estimated expatriate personal income taxes for 1985 to total three million baht.

8.43 Again, the respondents in this sub-sector said very little either positive or negative regarding government regulations, practices or agencies. One respondent said that the recognition of the need to export more as a means to survival had materially affected business operations in a positive way. On the negative side, one respondent complained of continual bureaucracy and personal tax clearances while another said that increased import duties on a particular commodity had had a damaging affect on business.

TRADING SECTOR

Table 8.1: TOTAL INVESTMENT (in million baht)

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
Local Equity	125	4	0	1	3	133	4%
Foreign Equity	473	288	16	322	140	1,239	36%
Local Debt	573	265	0	149	33	1,020	30%
Foreign Debt	875	173	0	0	3	1,051	31%
Total Equity	598	292	16	323	143	1,372	40%
Total Debt	1,448	438	0	149	36	2,071	60%
Total Investment	2,046	730	16	472	179	3,443	100%

TRADING SECTOR

Table 8.2: COMPANY ENTITY

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
Public Co	2	1		1	2	6	16%
Private Co	9	3	2	3	2	19	51%
LP							
ROP							
Sole Propshp							
Branch	9		1	2		12	32%
Total	20	4	3	6	4	37	100%

TRADING SECTOR

Table 8.3: US OWNERSHIP

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
10-35%				1		1	3%
36-49%		2				2	5%
50%							
51-65%	1					1	3%
66-90%	1					1	3%
91-100%	18	2	3	5	4	32	86%
Total	20	4	3	6	4	37	100%
Average %	96%	74%	100%	88%	100%	93%	

TRADING SECTOR

Table 8.4: TOTAL STAFF

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
1-5	1	1		2		4	11%
6-10				1	1	2	5%
11-25	4		2		1	7	19%
26-50	4		1	2		7	19%
51-100	7	1			1	9	24%
101-250	3				1	4	11%
251-500	1	2		1		4	11%
501-1,000							
> 1,000							
Total	20	4	3	6	4	37	100%
Actual	1,511	863	84	398	313	3,167	

TRADING SECTOR

Table 8.5: US PERMANENT STAFF

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
0	15		2	2	3	22	59%
1-5	5	4		3	1	13	35%
6-10			1	1		2	5%
11-50							
51-100							
Total	20	4	3	6	4	37	100%
Actual	6	11	6	14	1	38	

TRADING SECTOR

Table 8.6: THAI PERMANENT STAFF

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
0-5	1	1		3		5	14%
6-10					1	1	3%
11-25	4		2	1	1	8	22%
26-51	6		1	1		8	22%
51-100	6	1			1	8	22%
101-250	2				1	3	8%
251-500	1	2		1		4	11%
501-1,000							
> 1,000							
Total	20	4	3	6	4	37	100%
Actual	1,477	841	71	380	289	3,058	

TRADING SECTOR

Table B.7: THAI NATIONALS REPLACING EXPATS

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
Chief Exec					1	1	11%
Senior Mgnt	4			1		5	33%
Middle Mgnt	1	3		2		6	44%
Other	1					1	11%
Actual	6	3	0	3	1	13	100%

TRADING SECTOR

Table 8.8: REGISTERED CAPITAL

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
< 50k baht							
50k-499,999	1				1	2	5%
500k-999,999				1		1	3%
1kk-1,999,999	4			1	1	6	16%
2kk-4,999,999	2	1				3	8%
5kk-9,999,999	3				1	4	11%
10kk-19,999,999	2		1			3	8%
20kk-49,999,999		1	1	1	1	4	11%
50kk-99,999,999	3					3	8%
100kk-200kk							
> 200kk		1				1	3%
No Response	5	1	1	3		10	27%
Total	20	4	3	6	4	37	100%
Actual (n.bt.)	261	311	46	28	47	693	

TRADING SECTOR

Table 8.9: PAID IN CAPITAL

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
< 50k baht							
50k-499,999	2					2	5%
500k-999,999	2			1		3	8%
1kk-1,999,999	3			1	1	5	14%
2kk-4,999,999	2	1				3	8%
5kk-9,999,999	1	1			1	3	8%
10kk-19,999,999	3					3	8%
20kk-49,999,999			1	1	1	3	8%
50kk-99,999,999	3					3	8%
100kk-200kk							
> 200kk		1				1	3%
No Response	4	1	2	3	1	11	30%
Total	20	4	3	6	4	37	100%
Actual (m.bt.)	264	296	30	28	47	665	

TRADING SECTOR

Table 8.10: LOCAL EQUITY

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
< 50k baht							
50k-499,999							
500k-999,999				1		1	3%
1kk-1,999,999	2	1				3	8%
2kk-4,999,999	1	1			1	3	8%
5kk-9,999,999							
10kk-19,999,999	1					1	3%
20kk-49,999,999	1					1	3%
50kk-99,999,999	1					1	3%
100kk-200kk							
> 200kk							
No Response	14	2	3	5	3	27	73%
Total	20	4	3	6	4	37	100%
Actual (m.bt.)	125	4	0	1	3	133	

TRADING SECTOR

Table 8.11: FOREIGN EQUITY

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
< 50k baht							
50k-499,999				1	1	2	5%
500k-999,999							
1kk-1,999,999							
2kk-4,999,999	1	1				2	5%
5kk-9,999,999	4					4	11%
10kk-19,999,999	1		1			2	5%
20kk-49,999,999	2					2	5%
50kk-99,999,999	2					2	5%
100kk-199,999,999					1	1	3%
200kk-500kk	1	1		1		3	8%
> 500kk							
No Response	9	2	2	4	2	19	51%
Total	20	4	3	6	4	37	100%
Actual (m.bt.)	473	288	16	322	140	1,239	

TRADING SECTOR

Table 8.12: LOCAL DEBT

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
< 50k baht							
50k-499,999							
500k-999,999							
1kk-1,999,999					1	1	3%
2kk-4,999,999	2			1		3	8%
5kk-9,999,999	5					5	14%
10kk-19,999,999	2					2	5%
20kk-49,999,999	4	1			1	6	16%
50kk-99,999,999							
100kk-199,999,999	3			1		4	11%
200KK-500KK		1				1	3%
> 500kk							
No Response	4	2	3	4	2	15	41%
Total	20	4	3	6	4	37	100%
Actual (m.bt.)	573	265	0	149	33	1,020	

TRADING SECTOR

Table 8.13: FOREIGN DEBT

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
< 50k baht							
50k-499,999	1					1	3%
500k-999,999							
1kk-1,999,999							
2kk-4,999,999					1	1	3%
5kk-9,999,999	1					1	3%
10kk-19,999,999	1	1				2	5%
20kk-49,999,999	4					4	11%
50kk-99,999,999	3					3	8%
100kk-199,999,999	1	1				2	5%
200KK-500KK	1					1	3%
> 500kk							
No Response	8	2	3	6	3	22	59%
Total	20	4	3	6	4	37	100%
Actual (m.bt.)	875	173	0	0	3	1,051	

TRADING SECTOR

Table 8.14: INVESTMENTS 1982-1990

INVESTMENTS 1982-1985 (in million baht)

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
1982	4	104				108	25%
1983	54	74			18	146	20%
1984	12	26			14	52	12%
1985	153	22			6	181	42%
Total	223	226	0	0	38	487	100%

PROJECTED INVESTMENTS 1986-1990 (in million baht)

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total
1986-1988	85	120		1	109	315
1986-1990	96	126		1	144	367
TOTAL						
INVESTMENTS	319	352	0	1	182	854
1982-1990						

TRADING SECTOR

Table 8.15: 1985 REVENUE

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
500k-1,999,999 baht							
2kk-9,999,999					1	1	3%
10kk-19,999,999	1			1		2	5%
20kk-49,999,999	2		1			3	8%
50kk-99,999,999	6		1	1		8	22%
100kk-199,999,999	5	1				6	16%
200kk-499,999,999	4	1			1	6	16%
500kk-999,999,999	2					2	5%
1kkk-10kkk		1		1		2	5%
> 10kkk							
No Response		1	1	3	2	7	19%
Total	20	4	3	6	4	37	100%
Actual (m.bt.)	4,479	1,687	90	1,596	360	8,212	

TRADING SECTOR

Table 8.16: 1985 TAXES (in million baht)

	Chemicals	Food Prod	Cons Prod	Indt'l Prod	General & Other	Total	%
Mun. & Bus. taxes	69		3	29	1	102	7%
Corp. taxes	47	11		94	22	174	13%
Duties	546	93	10	379	56	1,084	78%
Others	6					6	0%
Reported in total	11			12		23	2%
Total	679	104	13	514	79	1,389	100%

SERVICES

9.01 Completed questionnaires were returned by 26 companies in the services sector. Seven consulting engineering and technical services companies made up the largest sub-sector. Four respondents were in transportation and shipping, and three each in the research, advertising and legal professions. Five companies were listed as other while one failed to specify its area of involvement.

9.02 None was listed as a public company, but every other entity classification was covered by the respondents. Sixty five percent were private limited companies, 23 percent were branch offices. Also, there was one limited partnership, one sole proprietorship and one regular ordinary partnership. American ownership of the responding companies averaged 65 percent. Registered capital totaled 122 million baht with 80 million baht paid in.

9.03 Investment by responding service companies totaled 292 million baht on the debt and equity computation. However, over half the respondents failed to complete the debt and equity sections. From the information available from the responses, transportation and shipping was the major area of investment accounting for 39 percent of the overall total. Consulting engineering and technical services accounted for another 22 percent, legal services 18 percent, advertising six percent and research 0.5 percent.

9.04 This sector's total investment in the 1982 to 1985 period was reported at 68 million baht, making it the smallest sectoral investor in Thailand. While no concrete investment trend can be discerned from such low figures, responding companies reported investments of six million baht in 1982, four million baht in 1983, nine million baht in 1984 and 49 million baht in 1985. Moreover, 238 million baht was said to be slated for investment in the 1986-88 period and 297 million baht in the period 1986-90.

9.05 Total revenues generated by responding service companies came to 1,217 million baht and total taxes were 49 million baht, by far the lowest of any of the sectors. The major tax category was corporate income taxes which accounted for 70 percent of the total broken down by respondents, followed by business and municipal taxes which made up 24 percent, import and export duties with five percent and other taxes the remaining two percent.

9.06 Service companies reported employing a total of 2,093 staff. Of these, 1,987 were Thai permanent staff and another 43 were Thais on contract. American staff totaled

32, with 29 of these being permanent staff, and employees of other nationalities made up the remaining 27. Six expatriate employees were replaced by Thais in the 1982-85 period: one chief executive and five senior managers. Total personal income taxes expected to be paid by expatriate staff in 1985 was 12 million baht. One service company interviewee said that while corporate income tax was about the same level as in the US, "personal income tax is outrageous".

9.07 From the questionnaire findings and from subsequent interviews, it appears that US service companies are in the process of building up a large presence in Thailand. Advertising agencies, legal offices and transportation companies are all planning to gradually expand their presence in the country, but the major contribution is likely to come from consulting engineers and technical service companies which are vying for prestigious and high value government contracts.

9.08 Service companies were the most vociferous in their criticism of the Revenue Department with five respondents listing it as least effective in responding to company requirements. The same number also complained about the rate or implementation of personal income tax while six companies had a similar complaint about business or corporate taxes. Four companies raised objections to high import taxes or excise duties. A particular bone of contention for service companies was the two percent withholding tax to which they have been subject to since February 1985. One interviewee said that he was not sure if the tax was refundable if the company made a loss, and if so how long such refunds would take. Another said the withholding tax was an inconvenience involving small amounts, but there might be a problem since both the service company and the client were jointly liable for the amount.

9.09 While three companies in the questionnaire sample responded negatively about the Ministry of Commerce, five felt positive regarding this ministry with the Bank of Thailand attracting four positive comments and the Board of Investment three. Again, comments on the positive results of specific government practices or regulations were scarce, although two respondents cited investment incentives or privileges, and two foreign exchange controls or baht devaluation in this light. However, three more said that the baht devaluation had a negative affect on business. On the whole, service company questionnaire and interview respondents considered the Bank of Thailand's treatment of remittances overseas to be generally reasonable.

9.10 Overevaluation of import duties and arbitrary assessments by the Customs Department were brought up several times in follow-up interviews with service

companies. "Nobody gets along with Customs," commented one interviewee, while another had only one word to say about the department: "miserable". An auditing company interviewee summarized such problems as dubious tax assessments by putting it in the wider context of the issue of interpretation of the laws. A lot of discretion is involved in such interpretations, he said, and the tendency is for this to favor the authorities.

9.11 Factors cited in the follow up interviews as helping smooth a company's entry into Thailand included knowledge of the government procedures required and gearing the project to government priority areas, such as export or agricultural development.

9.12 Another suggestion for new investors from an interviewee in an advertising agency was to set up the company as 100 percent US owned or, failing this, to get a good Thai partner.

9.13 A legal firm interviewee pointed out that the main factor in setting up a new business in Thailand was whether money could be made out of it and the answer, he believed, was usually positive. "The three Ps are requisite," he said, "Preparation, Patience and Persistence."

Consulting engineering and technical services

9.14 The seven respondents in this sub-sector included three companies which listed their services as consulting engineering. One of these also called itself a manufacturers' representative for equipment and know-how. One consulting company also was involved in management and investment services. Three specialized in telecommunications and related consultancy services.

9.15 The sample included three private companies, three branch offices and one limited partnership. Average US ownership of respondents in this sub-sector was 88 percent, the highest in the services sector. Registered capital totaled 65 million baht, over half the combined sector total, with 29 million baht paid in.

9.16 While companies coming within the consulting engineering and technical services category accounted for 27 percent of all service respondents, total investment by this sub-sector was only 22 percent of sector total, or 64 million baht. This included 37 million baht in local equity, three million in foreign equity, 14 million local debt and ten million foreign debt.

9.17 The pattern of investments since 1982 indicated that major investments by one or two companies, usually as start

up costs or on winning particular contracts, tended to lift this sub-sector's share of total services sector investments from as low as ten percent to as high as 77 percent. Such factors serve to explain why sub-sector respondents reported 16 million baht in investments in 1985 and 209 million baht in projected investments in the 1986-90 period from a low base of one million baht invested in 1982 and again in 1983. Nevertheless, it was clear that the size and frequency of large investments of these types were increasing.

9.18 The principal reasons given for making investments in Thailand were growth or continuation of business. The positive investment atmosphere was also mentioned as a factor, as was establishing or upgrading facilities. One company commented that investment procedures in Thailand had been simplified and "responses from government officials are less officious", while another praised the BOI for assisting in promoting the purchase of Thai products by the Thai government. Another respondent said that BOI privileges had encouraged the import of foreign equipment which had thus improved the company's sales of US made products.

9.19 Revenues reported by this sub-sector totaled 152 million baht and company taxes four million baht.

9.20 The sub-sector respondents reported employing 190 staff, including 170 Thais, in the seven responding companies. One senior manager was replaced by a Thai national among these companies in the 1982-85 period. Expatriate taxes paid came to four million baht, as much as the combined companies' taxes. Three respondents complained of the hardship caused by the pyramid method of calculating personal income tax, as opposed to two complaints regarding company taxes. Customs duties were mentioned by two respondents as negative factors: one found them to be damaging to sales, the other too time-consuming and bureaucratic.

9.21 Because a large part of the US consulting engineering and technical service companies in Thailand are geared toward government projects, one of the major problems they faced was when such projects were delayed or the government revised its budget to the detriment of a particular project. Three respondents cited the delaying or postponement of government projects as negative factors in their operations. Telecommunications companies were particularly affected by the Telephone Organization of Thailand's (TOT) reduction in the planned telephone network expansion. Another respondent said that the baht devaluation had meant further delays and postponements since the cost of imported capital goods had increased beyond original budgeted amounts. However, one service company interviewed said that the Thai government's determination not to rely on foreign aid had forced his company to bring forward its direct investment plan as it

could not count on easing into the country through undertaking consulting projects, as was originally planned.

9.22 Companies in the consulting engineering and technical services sub-sector appeared to be highly satisfied with the responses received from government agencies. No negative comment was made while the BOI, TOT, Communications Authority of Thailand, Ministry of Agriculture and Agricultural Cooperatives and the Immigration Division were each specified once as government agencies which had most effectively responded to company requirements.

9.23 One recent investor in Thailand who was highly satisfied with cooperation he had received from government agencies said in a personal interview that companies would experience a minimal amount of red tape "so long as you know what the rules are and you play by the rules". His suggestion for new investors in Thailand was to understand the procedures required. "Anyone who doesn't know the procedures complains," he added.

9.24 Government agencies were also said to have a much more positive attitude to investors who made clear their intention to export products and to projects which promise to fall in with other priority areas. An interviewee with long experience of Thailand said that the investment climate was now much improved over five years ago, especially for firms geared to such areas as agricultural projects. In such cases, government assistance was forthcoming, he said.

Research and advertising

9.25 Three research and three advertising companies responded to the questionnaire. These included four private companies, one branch office and one sole proprietorship. Average US ownership of the six companies was 77 percent. Total registered capital was 32 million baht with 30 million of this paid in.

9.26 Total investment was 19 million baht by advertising agencies and only two million reported by research companies. Of the six respondents, only one reported having any foreign debt, and this was less than two million baht. Total foreign equity was also very low: just over two million baht.

9.27 In the 1982-85 period one major investment of 14 million baht was reported in 1985. Otherwise, only two other investments of over a million baht were reported. Some small investments were forecast for the 1986-90 period. The reason given for all investments was growth in the market. One research company also intended to improve efficiency through computerization while an advertising

agency said it needed to increase its capital since the original capital was insufficient for the size of the business and because withholding tax had affected cash flow.

9.28 Total revenues estimated for 1985 were 84 million baht with 87 percent of this reported by the advertising agencies. Total company taxes were estimated at two million baht. One research respondent cited advance payment of six months' corporate taxes as a negative government regulation which adversely affected operations, while two advertising agencies complained in general about withholding tax and one about business taxes. One interviewee added that he was not sure if the two percent withholding tax would ever be refunded if the agency made no profit.

9.29 Research and advertising respondents employed a total of 192 staff, including 178 Thai permanent staff, three Thai contract staff and four US permanent staff. The remaining seven employees included other permanent and contract staff and US contract staff. One expatriate chief executive was replaced by a Thai in a responding advertising agency between 1982 and 1985. Total expatriate income taxes reported in 1985 were over one million baht.

9.30 Respondents in this sub-sector made few comments on government regulations or practices affecting their business. The only positive aspect mentioned was the government's promotion of foreign investment. Apart from negative opinions concerning increases in or assessments of taxes, increased activity by the Food and Drug Administration, the baht devaluation and the blackout on early evening television were mentioned as having had a negative impact on business. The Department of Commercial Registration and the Bank of Thailand were mentioned once each as helpful government agencies, while the Revenue Department and Food and Drug Administration were each mentioned once as least helpful in responding to company requirements.

9.31 In a subsequent interview, one advertising agency grouped the FDA together with the Consumer Protection Board and the Radio and Television Broadcasting Board as constituting a cumbersome bureaucracy for getting approval for certain commercials. Advertising agencies, it was added, also suffered because there was no legal necessity to book media space through an accredited agency. Against such problems, one source added, the advertising industry lacked a real lobby to fight for it.

Legal

9.32 Three companies offering legal services responded to the questionnaire. Two were private companies and the third a regular ordinary partnership. Average US ownership was 31 percent, the lowest in this sector. This was due to the Alien Business Law which, since 1972, has listed law as a restricted profession. However, Americans are still able to start up a law firm in Thailand under the terms of the US Treaty of Amity, although such firms must employ Thais and Americans cannot practice in court.

9.33 Registered capital for the sample law firms totaled three million baht, all fully paid in. Total investment by these three firms was 59 million baht with 78 percent of this being in the form of local debt. Foreign equity totaled six million baht as against seven million baht of local equity. No respondent reported having any foreign debt.

9.34 Sub-sectoral investment in the 1982-85 period was seven million baht, with the bulk of this -- 57 percent -- being invested in 1985. One reason given for these investments was the need for additional facilities due to business expansion. However, one firm stated that the investment was necessitated by work permit regulations which stipulated a higher capital for the company. Projected investments in the 1986-90 period were 44 million baht, the bulk of this coming from a firm establishing new facilities. Again, despite the low figures involved, the sub-sector's investment trend is evidently growing at a high rate.

9.35 Legal firm respondents reported total revenues for 1985 of 88 million baht. Total company taxes for the year were four million baht with 75 percent of this being corporate income taxes. Again, tax withholding on service firms was mentioned as a negative aspect of government practice. One interviewee said that at yearend when client withholding was declared, the service company would be jointly liable for the amount if the client had failed to withhold it.

9.36 The sample firms employed 196 staff, including 182 Thai permanent staff, two Thai contract staff and seven US permanent staff. Five permanent staff from other countries were also employed. Total personal income taxes paid by expatriate employers in 1985 were nearly four million baht.

9.37 Bank of Thailand exchange control was the only government practice mentioned as having had a positive affect on business by responding legal firms. One respondent mentioned that the Lawyers Act could have had a disastrous affect on business, but that it was fortunately

modified before passage. The respondent did not go into details but in subsequent interviews, lawyers said that the Lawyers Act still involved a lot more red tape. Labeling laws, police fines and imprisonment for minor offences were mentioned as obstacles to business by one respondent.

9.38 Two respondents cited the Customs Department and two the Revenue Department as least helpful government agencies. The respondents cited bureaucratic red tape, questionable honesty, archaic procedures, vindictiveness and slowness as complaints against the Customs Department while one respondent accused the Revenue Department of unreasonable and incorrect interpretations of the Revenue Code. A mixed response was evident to both the Department of Commercial Registration (CRD) and the Labor Department. One company praised CRD for its quick responses, another considered that it had adversely affected the respondent's operations. Similarly, one respondent considered the Labor Department to be prompt and fair in processing work permits, while another said that both the Labor Department and the Immigration Division were unhelpful when it came to getting personnel the various permissions to stay and work in the country.

Transportation and shipping

9.39 Four companies involved in transportation of goods, including sea transportation, cargo handling and household goods removals, responded to the questionnaire. Two were private companies and two were branch offices. Average US ownership of these companies was 61 percent with all the non-US stock held by Thai shareholders. Combined registered capital was eight million baht, 50 percent paid in.

9.40 Only one company gave figures for debt and equity and this totaled over 100 million baht made up of 90 percent local debt and ten percent local equity. Investments between 1982 and 1985 were given as six million baht with 67 percent of this being a single investment in 1985. Projected investments of 13 million baht were again derived from only one respondent. Reasons cited for investments included insuring adequate operating costs, improvements in efficiency and growth.

9.41 Revenues in this sub-sector were reported at 602 million baht in 1985. Only two respondents answered this question, yet the total accounted for 49 percent of total sector revenue reported, indicating that the transportation and shipping sub-sector has one of the highest turnovers in the services sector. Company taxes were correspondingly high: 29 million baht, or 59 percent of total sector taxes. Sixty two percent of taxes reported were corporate income taxes. One respondent listed his company's taxes but not its revenue. Increases in import duties and restraints on

imports were seen as having a negative affect in leading to reduced imports into Thailand.

9.42 Total staff employed by respondents in this sub-sector numbered 274 with 235 of these being Thai permanent staff, 35 Thai contract staff, two US permanent staff and two permanent staff of other nationalities. Two expatriate senior managers were replaced with Thais in these companies in the 1982-85 period. Expatriate income taxes in 1985 were estimated to total over one million baht.

9.43 Little comment, either positive or negative, was made by respondents in this sub-sector. However, one respondent named the Customs Department as a government agency which had responded most effectively to company requirements by assisting in clearing clients' imports and exports. The Ministry of Commerce was also mentioned in a positive light for providing help on items subject to quotas. Tight monetary policies and certain government procedures were mentioned as having a negative affect on business operations by another respondent.

Others

9.44 Six respondents which fell outside the above sub-sectors were grouped together. These included a publishing company, a security firm, an appraising company, a hotel, a buying agency and one company which failed to specify which services it offered.

9.45 All these respondents were private limited companies and US ownership averaged 48 percent. Registered capital totaled 14 million baht. These companies had a total investment of 43 million baht, or 15 percent of the sector total. Sixty five percent of this investment was in the form of local debt. Only one of these companies reported any investment between 1982 and 1985 and this was made to start up a new company. Two investments totaling 31 million baht were projected for the 1986-90 period, the reason for both being business expansion.

9.46 The unclassified companies reported total 1985 revenues of 291 million baht and total 1985 company taxes of nine million baht.

9.47 The respondents included the three largest employers in the sector. Total staff for the six companies came to 1,241. Only six of these were US permanent staff although another 13 were not Thai. There were no contract staff reported. According to one company interviewed later, hotels, for instance, were not allowed to employ temporary staff, which meant carrying big overheads when occupancy is low. The companies had replaced two expatriate senior

managers with Thais in the 1982-85 period. Total expatriate taxes for 1985 were estimated at less than two million baht.

9.48 The only government action mentioned as having materially affected business in a positive way was the baht devaluation. Another respondent cited the baht devaluation as having had a negative affect on business. Other regulations and practices viewed negatively included import duties on replacements of operating equipment, delays and restrictions at customs, the two percent withholding tax and expatriate personal income tax.

9.49 The Ministry of Commerce, the Ministry of Industry, the Board of Investment and the Telephone Organization of Thailand were each mentioned once as having responded most effectively to company requirements while the Bank of Thailand was mentioned twice in this regard. Easy and immediate access and quick resolution of problems was the major positive comment on these agencies. The Customs Department was criticized for its goods clearance procedures by one respondent and the Revenue Department for its tax clearance and examination of company records procedures.

SERVICES SECTOR

Table 9.1: TOTAL INVESTMENT (in million baht)

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
Local Equity	37	3	7	11	6	64	22%
Foreign Equity	3	2	6		7	18	6%
Local Debt	14	12	46	96	28	196	67%
Foreign Debt	10	2			2	14	5%
Total Equity	40	5	13	11	13	82	28%
Total Debt	24	14	46	96	30	210	72%
Total Investment	64	19	59	107	43	292	100%

SERVICES SECTOR

Table 9.2: COMPANY ENTITY

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
Public Co							
Private Co	3	4	2	2	6	17	65%
LP	1					1	4%
RDP			1			1	4%
Sole Propshp		1				1	4%
Branch	3	1		2		6	23%
Total	7	6	3	4	6	26	100%

SERVICES SECTOR

Table 9.3: US OWNERSHIP

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
10-35%		1	2	2	1	6	23%
36-49%		1	1		4	6	23%
50%							
51-65%	2				1	3	12%
66-90%							
91-100%	5	4		2		11	42%
Total	7	6	3	4	6	26	100%
Average %	88%	77%	31%	61%	48%	65%	

SERVICE SECTOR

Table 9.4: TOTAL STAFF

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
1-5	1					1	4%
6-10	1	1		1	1	4	15%
11-25	3	3			1	7	27%
26-50		1	1			2	8%
51-100	2		2	3	1	8	31%
101-250		1			1	2	8%
251-500					1	1	4%
501-1,000					1	1	4%
> 1,000							
Total	7	6	3	4	6	26	100%
Actual	190	192	196	274	1,241	2,093	

SERVICES SECTOR

Table 9.5: US PERMANENT STAFF

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
0		2		2	3	7	27%
1-5	7	4	3	2	3	19	73%
6-10							
11-50							
51-100							
Total	7	6	3	4	6	26	100%
Actual	10	4	7	2	6	29	

SERVICES SECTOR

Table 9.6: THAI PERMANENT STAFF

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
0-5	3				1	4	15%
6-10		2		1		3	12%
11-25	2	2			1	5	19%
26-51		1	1			2	8%
51-100	2	1	2	3	1	9	35%
101-250					1	1	4%
251-500					1	1	4%
501-1,000					1	1	4%
> 1,000							
Total	7	6	3	4	6	26	100%
Actual	170	178	182	235	1,222	1,987	

SERVICES SECTOR

Table 9.7: THAI NATIONALS REPLACING EXPATS

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
Chief Exec		1				1	17%
Senior Mgmt	1			2	2	5	83%
Middle Mgmt							
Other							
Actual	1	1	0	2	2	6	100%

SERVICES SECTOR

Table 9.8: REGISTERED CAPITAL

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
< 50k baht		1				1	4%
50k-499,999		1	1		1	3	12%
500k-999,999			1			1	4%
1kk-1,999,999	1	1		2	4	8	31%
2kk-4,999,999	3		1	1		5	19%
5kk-9,999,999		1		1		2	8%
10kk-19,999,999	1	2			1	4	15%
20kk-49,999,999	2					2	8%
50kk-99,999,999							
100kk-200kk							
> 200kk							
No Response							
Total	7	6	3	4	6	26	100%
Actual (m.bt.)	65	32	3	8	14	122	

SERVICES SECTOR

Table 9.9: PAID IN CAPITAL

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
< 50k baht		1			1	2	8%
50k-499,999		1	1			2	8%
500k-999,999			1		1	2	8%
1kk-1,999,999	2	1		2	3	8	31%
2kk-4,999,999	3		1	1		5	19%
5kk-9,999,999		2				2	8%
10kk-19,999,999		1			1	2	8%
20kk-49,999,999	1					1	4%
50kk-99,999,999							
100kk-200kk							
> 200kk							
No Response	1			1		2	8%
Total	7	6	3	4	6	26	100%
Actual (m.bt.)	29	30	3	4	14	80	

SERVICES SECTOR

Table 9.10: LOCAL EQUITY

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
< 50k baht					1	1	4%
50k-499,999		1			1	2	8%
500k-999,999			1		1	2	8%
1kk-1,999,999	1		1			2	8%
2kk-4,999,999		1				1	4%
5kk-9,999,999			1		1	2	8%
10kk-19,999,999	1			1		2	8%
20kk-49,999,999	1					1	4%
50kk-99,999,999							
100kk-200kk							
> 200kk							
No Response	4	4		3	2	13	50%
Total	7	6	3	4	6	26	100%
Actual (m.bt.)	37	3	7	11	6	64	

SERVICES SECTOR

Table 9.11: FOREIGN EQUITY

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
< 50k baht		1				1	4%
50k-499,999			1		1	2	8%
500k-999,999					1	1	4%
1kk-1,999,999		2			1	3	12%
2kk-4,999,999	1				1	2	8%
5kk-9,999,999			1			1	4%
10kk-19,999,999							
20kk-49,999,999							
50kk-99,999,999							
100kk-199,999,999							
200kk-500kk							
> 500kk							
No Response	6	3	1	4	2	16	62%
Total	7	6	3	4	6	26	100%
Actual (m.bt.)	3	2	6		7	18	

SERVICES SECTOR

Table 9.12: LOCAL DEBT

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
< 50k baht		1				1	4%
50k-499,999					1	1	4%
500k-999,999					1	1	4%
1kk-1,999,999							
2kk-4,999,999	1		1			2	8%
5kk-9,999,999					1	1	4%
10kk-19,999,999	1	1				2	8%
20kk-49,999,999			1		1	2	8%
50kk-99,999,999				1		1	4%
100kk-199,999,999							
200KK-500KK							
> 500kk							
No Response	5	4	1	3	2	15	58%
Total	7	6	3	4	6	26	100%
Actual (m.bt.)	14	12	46	96	28	196	

SERVICES SECTOR

Table 9.13: FOREIGN DEBT

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
< 50k baht							
50k-499,999							
500k-999,999							
1kk-1,999,999		1				1	4%
2kk-4,999,999					1	1	4%
5kk-9,999,999							
10kk-19,999,999	1					1	4%
20kk-49,999,999							
50kk-99,999,999							
100kk-199,999,999							
200KK-500KK							
> 500kk							
No Response	6	5	3	4	5	23	88%
Total	7	6	3	4	6	26	100%
Actual (m.bt.)	10	2			2	14	

SERVICES SECTOR

Table 9.14: INVESTMENTS 1982-1990

INVESTMENTS 1982-1985 (in million baht)

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
1982	1	4		1		6	9%
1983	1		2	1		4	6%
1984	7	1	1			9	13%
1985	16	20	4	4	5	49	72%
Total	25	25	7	6	5	68	100%

PROJECTED INVESTMENTS 1986-1990 (in million baht)

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total
1986-1988	185		39	13	1	238
1986-1990	209		44	13	31	297
TOTAL INVESTMENTS 1982-1990	234	25	51	19	36	365

SERVICES SECTOR

Table 9.15: 1985 REVENUE

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
500k-1,999,999 baht	1					1	4%
2kk-9,999,999	1	4			2	7	27%
10kk-19,999,999			1		1	2	8%
20kk-49,999,999	2	2	2	1	1	8	31%
50kk-99,999,999	1					1	4%
100kk-199,999,999							
200kk-499,999,999					1	1	4%
500kk-999,999,999				1		1	4%
1kkk-10kkk							
> 10kkk							
No Response	2			2	1	5	19%
Total	7	6	3	4	6	26	100%
Actual (m.bt.)	152	84	88	602	291	1217	

SERVICES SECTOR

Table 9.16: 1985 TAXES (in million baht)

	Cons Eng	Res & Adv	Legal	Trans & Shp	Others	Total	%
Mun. & Bus. taxes	1	1	1	3	3	9	24%
Corp. taxes			3	18	5	26	70%
Duties	1				1	2	5%
Others							
Reported in total	2	1		8		11	-
Total	4	2	4	29	9	48	100%

APPENDIX

Comments on Investing in Thailand

Interviews were conducted with 32 prominent American business executives in the preparation of this survey. The following tips on doing business in Thailand, as they see it, represent a good cross-section of opinion based on their personal experiences.

Profitability

The following comments on profitability were made during interviews with American businessmen on the scene:

"There's better potential here than elsewhere in Asia," said one American CEO. "We rank Thailand No. 1 in Asia and No. 5 worldwide."

An American trading company executive reported that his group in Thailand is the biggest earner of all their companies throughout Asia. Another said his company is operating in eight countries: "We consider Thailand as second best."

An American manufacturing executive stated, "If it were not profitable we wouldn't be making a bigger investment in the next two years than we've made in the last five."

"Profitability depends on the product or service," points out another. "American companies must adjust to new profit margins. It's closer to 20 percent than stateside 12 percent -- in the US it costs ten to make 12; here it costs 18 to make 20."

Productivity vs wages

"Compared to our plant in Korea," said an electronics executive, "Thailand is equal to or more favorable -- particularly regarding productivity vs wages."

"Labor availability was one reason for opening our plant in Thailand," reported an American executive. "Workers are good. The Thais take a lot of pride in what they are doing."

"Because of labor availability and workers' skills in relation to the cost of operations, the bottom line is better (in Thailand)," said another.

It's not all roses

The downturn in the economy in 1985 dampened several executives' opinions of prospects for the immediate future. However, they were universally optimistic about the long term benefits of investing in Thailand.

There were complaints, mainly regarding taxes, the arbitrary imposition of customs charges, the existence of obsolete laws, and the ponderous Thai bureaucracy.

Although at the top the administration and ministries have been helpful in alleviating many of the problems facing the business community, this has failed in many instances to seep down to the working level. Larger companies maintain their own liaison section solely devoted to dealing with Thai government agencies. Smaller businesses often find it is more practical to enlist the services of brokers to deal directly with civil servants in the lower echelon.

On the other hand the Board of Investment, created to establish a one-stop service to assist prospective investors, is generally considered to be the most helpful to newcomers. The Ministries of Industry and Commerce also came in for attention, but in some instances American businessmen reported they were inclined to be slow in making decisions. Thus, the advice to be patient and persistent.

The Revenue Department was criticized on two major counts. One, the fact that American companies maintain proper books makes them easy targets for tax reviews. It is charged that the Revenue Department concentrates on these easily approached companies while many local firms -- used to keeping several sets of books, or no records at all -- are allowed to get away with tax evasion. Also, the imposition of retroactive taxes has hurt many firms.

Second, although there were few complaints about the level of corporate taxes -- which compare favorably with those in the US -- the pyramid system of personal income taxes has limited the number of American executives. With American salaries generally higher than European or Asian salaries, Americans are losing out to other nationalities in many top positions. Personal income taxes on top executives yield a higher proportionate income for the Revenue Department than corporate taxes.

The most universally expressed complaints concerned Thai Customs. Because of vagueness in Thai laws and regulations

the assessment of import and export duties has been left to Customs Department officers. This has resulted in arbitrary and often inconsistent interpretation of Customs regulations to the detriment of traders. An example: Import duties levied on a new product determine the rate on all subsequent shipments, regardless of the fact that the price of that product -- due to lowered costs or market influences -- has been reduced since the initial shipment. The decision is made by the customs officers on duty.

The Thai bureaucracy is a ponderous institution enveloped in masses of paperwork as interview comments attested. Efforts by the administration to cut red tape actually have had little affect on operations. Even some Thai government officials admit that a lot of red tape has been cut lengthwise. Gradually this is being improved, mainly with the installation of computer systems that are eliminating many of the duplicate records maintained by the various government bureaus. The changeover is a slow process that will not materially improve the system for years to come.

Dealing with the Thai government is time consuming. Many documents require eight to ten copies. The signatures of up to 20 officials must be obtained on some. This multiple paperwork contributes to the delays encountered. The Immigration Division was singled out as one agency that has streamlined its operations.

Under Thai law certain businesses and professions are reserved for Thai citizens. Due to the competition from state enterprises market access is limited in certain fields. Foreign businessmen complain that they are faced with unfair competition from local firms protected under Thai laws or favored in bidding although the foreign firm established in Thailand has made a lower bid.

The lack of protection for intellectual property rights has hurt many American businesses. Trademark and copyright laws are inadequate. Foreign investors have recently taken vigorous steps in attacking these problems, some of which have already resulted in positive results.

When all is said and done, the red tape is no better or no worse than many other countries as far as foreign investors are concerned. The overall impression, however, is that Thailand offers greater potential than many developing countries. It does favor a free market. And Thailand is centrally located in the fastest growing area in the world -- Southeast Asia.

Thailand with a population of 50 million enjoys a stable and expanding economy. The country has abundant natural resources and is one of the world's largest food exporters. Government monetary policies have been conservative and

Thailand weathered the depression much better than most developing countries. Traditionally an agriculturally oriented country it is rapidly becoming industrialized, especially in agro and food processing industries, electronics and similar labor intensive fields.

Advice to new investors

Given these assessments of Thailand's investment potential, businessmen who have been operating in Thailand are quick to point out that doing business in Thailand is a far cry from doing business in the United States. For one thing, the clock runs slower in Asia, and Thailand is no exception. This has frustrated many Americans.

Where profitability depends on the product or the service offered, an equally important factor is to be completely familiar with the way business is done in Thailand. Prospective investors are advised to study the system, to understand the way business is conducted, and then to use the system -- not abuse it. Learn the rules and then abide by them.

Many businessmen stress the importance of getting a good Thai attorney's advice, one with good contacts, before any in-house attorney attempts to prepare documentation for company registration, licence and work permit applications, and other forms -- all of which must be in the Thai language. A minor oversight on any application can lead to long and frustrating delays. If all documentation is in order government responses can be surprisingly smooth.

Establish a relationship with the Board of Investment. "They will steer you in the right direction," explained one businessman. Of all the Thai government agencies, the BOI offers the best single source of good advice on getting established in Thailand.

The staff of the American Embassy's Commercial Counsellor's office are knowledgeable and helpful and have assisted many Americans in making the right connections.

The almost universal advice of successful American businessmen fall into what one described as "the three Ps: Preparation, Patience and Persistence."

(1) Preparation: Study the market, find the niche for your products or services, assess labor and operating costs. Only then will you be prepared to start on the road to a successful investment. Then, with experienced and capable local guidance, carefully prepare all the documentation required to setting up a business in Thailand. Make sure it is in order and that required support material

is complete. Go through the proper channels, be it the Board of Investment, Labor Department, Customs or Immigration.

(2) Patience: Don't expect action overnight. It takes time to pass through Thailand's bureaucracy. Sometimes it takes months to get an answer that would be forthcoming in the US in days. You simply have to be patient.

(3) Persistence: You can't just sit back and wait for things to happen. Keep enquiring. Keep prodding. Maintain a presence, so you are known and not forgotten.